



**SOUTHCOAST**  
HOSPITALS GROUP

Charlton ■ St. Luke's ■ Tobey

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**Rise in free care and uninsured lead to reduced services, staff at Southcoast**  
*Low reimbursements and steep increases in free care and bad debt are root of budget problem*

NEW BEDFORD, Mass. — Due to chronically underfunded reimbursements from state and federal sources, a sharp rise in the number of people without health insurance and a dramatic increase in free care, Southcoast Hospitals Group today announced budget initiatives that include reduced services and a reduction in staff.

Southcoast projects a total loss from operations of \$5.1 million for the fiscal year that ended September 30. In the last several months Southcoast has seen a dramatic rise in “free care” and “bad debts,” the costs associated with treating patients without health insurance.

“This increase in costs has been exceeding our budget by an additional \$1 million a month,” Ronald B. Goodspeed, MD, MPH, President of Southcoast Hospitals Group, said today in a letter to employees. “We expect this will continue into next year as potentially more people lose health insurance coverage. As these trends continue, the increased funding from the Massachusetts Uncompensated Care Pool is not keeping pace.”

Southcoast has spent months looking for ways to increase revenues and reduce expenses. Initiatives have addressed negotiating lower prices on medical and surgical supplies, a more aggressive collection of co-pays, reducing liability insurance costs and lowering the patient length of stay while maintaining quality of care.

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### ***Reduction in workforce***

While much success was made in lowering costs, it could not completely address the shortfall and has resulted in the need to reduce the workforce. The staff reduction affects all departments across Southcoast's three hospital sites, with a total reduction of 52 occupied positions and reduced hours for 32 other employees. Southcoast employs some 5,500 full- and part-time employees at Charlton Memorial Hospital in Fall River, St. Luke's Hospital in New Bedford and Tobey Hospital in Wareham.

"This is one of the most difficult decisions one has to make," Dr. Goodspeed said of the staff reductions. "The operating efficiencies we have achieved thus far have been the result of very hard work by every member of the Southcoast team. It is most unfortunate that, given the current difficult economic climate across the state and especially in health care, we could not achieve our financial goals without a reduction in staff. Without exception, everyone who works at Southcoast is dedicated and committed to providing the very best health care to all members of our community."

Those employees whose positions were affected by the reduction in force and who are not union members are eligible for Southcoast's "deployment process," which allows the person to work in their position for up to six months with full benefits. Employees covered by collective bargaining agreements at Tobey Hospital will follow the provisions of those agreements. Southcoast will also assist employees in their job searches through workshops and counseling. "We have found that most people impacted in a reduction situation have found other positions within the six-month deployment period," Dr. Goodspeed said.

### ***Reduction in services***

Southcoast takes the responsibility of providing health care services very seriously, especially because it is the primary health care provider in Southeastern Massachusetts. Over the past several years, Southcoast has expanded services throughout the South Coast region to encompass the needs of our community and the demand for services.

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“If Southcoast is not able to provide a service, the individuals need to travel outside their community or go without the service,” said Linda Bodenmann, Senior Vice President & Chief Financial Officer for Southcoast Health System. “Unfortunately the continuing underpayment by state and federal programs to hospitals is jeopardizing the breadth of services the hospitals will be able to provide.”

Over the past year, Southcoast has had to identify specific services to phase out, close or transition to other providers, including outpatient mental health programs, inpatient mental health treatment for Medicaid patients and transitional care units at St. Luke’s and Tobey hospitals.

While payments for hospital TCU services are inadequate, those same services are very attractive for nursing homes. Patients who were displaced by the closure of the TCUs at St. Luke’s and Tobey have been absorbed by nursing homes in the communities. With the reductions in Medicare payments and Medicaid reimbursement, services such as this in a hospital setting are projected to continue to incur growing losses.

Inpatient psychiatric services were also impacted this past year when the state announced that it would be cutting payments for psychiatric services provided to Medicaid recipients. Mental health services are currently reimbursed at less than half the cost of providing the services. Based on the results from fiscal 2002, the estimated loss associated with inpatient psychiatric services for Medicaid patients approximated \$900,000 for the hospital. Outpatient mental health services were transitioned to individual private practice providers.

“Southcoast had to make the difficult decision to no longer offer inpatient mental health treatment for Medicaid patients,” Bodenmann said. “These patients will need to travel to Brockton or Norwood for this service.” Without reasonable payment from all governmental sources, including Medicare, Medicaid and the state’s Uncompensated Care Pool, Southcoast could no longer afford to provide specific services outside of its core mission of acute inpatient care.

“This is a tragedy for the health care workers who spend their lives building these services and for the community members who are no longer able to receive the care they need,” Bodenmann said.

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*A sign of the times*

Southcoast's financial position reflects the difficult economic climate faced by all hospitals and all communities across the state.

During the last five months of fiscal year 2003, Southcoast experienced a 75 percent increase in free care and emergency bad debts charges submitted to the Uncompensated Care Pool as compared to the same months for fiscal 2002. For fiscal year 2004, Southcoast is projecting that free care costs will increase 17 percent over fiscal 2003 levels.

Those patients seeking free care from hospitals increasingly include the self-employed or those who work for small employers and can no longer afford health insurance. Nearly 76 percent of the patients seen at Southcoast have their care funded by state and federal programs. Seven percent of the statewide Medicaid inpatients are cared for at one of Southcoast's three hospitals, making Southcoast the largest community hospital provider and second largest overall hospital provider for Medicaid enrollees in Massachusetts.

"The underfunding of the Medicaid program puts Southcoast and the patients we serve at risk," Bodenmann said September 17 in testimony before the Legislature on Medicaid reform.

"Southcoast has had to absorb losses resulting from Medicaid underpayment for years."

Southcoast's losses associated with providing services to Medicaid subscribers total more than \$48 million since 1998 and the subsidy is projected to be around \$10 million for fiscal 2004.

"Southcoast is actively working with state and federal officials to seek reasonable payments from all governmental sources, including Medicare, Medicaid and the state's Uncompensated Care Pool, that will allow us to maintain our commitment to caring for all residents of our communities, regardless of their ability to pay," Bodenmann said.

Payments for inpatient services have increased by only 2 percent annually at a time when Southcoast has experienced much larger increases in salary costs caused by the national nursing shortage as well as ever increasing costs for drug and new technologies, Bodenmann said.

"It is important to recognize the situation of hospitals like Southcoast who have cut costs time and time again and are now cutting services to make ends meet," Bodenmann said.

***About Southcoast***

Southcoast Health System, a not-for-profit charitable organization, is a community based health delivery system with multiple access points, offering an integrated continuum of health services throughout Southeastern Massachusetts and East Bay, Rhode Island. It includes Southcoast Hospitals Group, formed in 1996 from the merger of Charlton Memorial Hospital in Fall River, St. Luke's Hospital in New Bedford and Tobey Hospital in Wareham.

For more information visit [www.southcoast.org](http://www.southcoast.org).

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