California Hospitals Are in Crisis, Too

by Mary Jane Freeman

Time is of the essence if you suffer a heart attack, or injuries as a result of a car accident. Your life may be saved if you get to an emergency department in time. But, nationally, these critical life-saving staff and facilities are disappearing. Between 1995 and 1999, according to the American Hospital Association, 286 emergency departments in the United States closed, and 115 of those, or 40%, closed during 1997-99. Yet, visits to emergency rooms increased from 89.8 million in 1992 to more than 100 million in 1998. In California, the most populous state in the nation, this trend is the same or worse. From 1990 to 1999, fifty emergency rooms closed, while visits shot up from 8.4 million to 9.4 million. Why are these vital services vanishing? The bottom line is, the U.S. health-care system is being looted.

In January 2001, a California Medical Association (CMA) report, "California's Emergency Services: A System in Crisis," sounded the alarm. "Once the envy of the country, California's trauma and emergency services are in serious jeopardy. In 1998-99 alone, emergency departments reported financial losses of over $315 million while serving 9.3 million patients. . . . For the average patient treated in an emergency room at a cost of $136, hospitals and physicians are only reimbursed $90. That is a loss of $46 per patient." The result? "Throughout California, ambulances are being diverted, hospitals are shutting down or scaling back emergency services, and patients are waiting hours for treatment. [California] faces a very real choice: Act now and save a system on the brink of disaster, or ignore the warning signs and watch the system flat line and die."

Just as deregulation of energy supplies has given energy pirates, such as Enron, a free hand to loot the financial stream from the sale of the production and delivery of energy, so too has the privatization of health care by Wall Street bandits—such as President George W. Bush's angel and speculator Richard Rainwater, who launched Columbia/HCA (see "How Wall Street 'Shareholder Value' Destroyed America's Hospital System," *EIR,* April 7, 2000)—turned the delivery of health care into a market commodity. Two acts of Congress in particular made this takedown of the nation's health and hospital system possible: the Nixon Administration's Health Maintenance Organization Act of 1971, passed in 1973 (see *EIR,* May 19, 2000), and the Balanced Budget Act of 1997, which gutted Medicare and Medicaid payments to hospitals. As the CMA report shows, these looting schemes have brought us to the end of the line.

Market-Driven Medicine Is Madness

"The lights are on, but if you dial 911 [in California] today you have only a 20% chance of being taken to the nearest hospital," Dr. Roneet Lev, president of the California chapter of the American College of Emergency Physicians (Cal/ACEP), told reporters in Sacramento. Dr. Michael Sexton put it this way when the CMA released its report: "It's every bit as important as the electricity crisis. . . . In emergency services, we've had rolling blackouts for years."

Indeed, just as with energy deregulation, prioritizing shareholder value above the general welfare of citizens, means that people die. According to a state health-care official, as of 1986 California did away with the regulatory licensing procedure called "certificate of need," to "let the market tell us where to build or close hospitals." Such market-driven madness has its consequences. Twenty percent of California hospital closures over the past 20 years occurred in Los Angeles County, whose estimated population of 9.5 million accounts for nearly one-third of all Californians, and is a larger population than all but seven U.S. states. California's estimated population of 33 million represents just over 12% of the entire U.S. population. Disease or epidemics do not stop at geographical borders, and thus the ramifications of ratchetting down the health-care system of the nation's most populous state will impact us all.

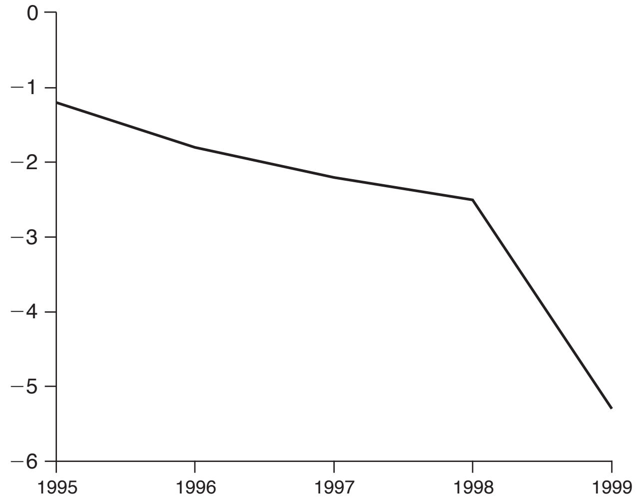
Let's look at the critical role emergency rooms have come to play over the last two decades, as the bandits have looted the health-care system. "The ER has become the point of entry into the health-care system for a steadily increasing percentage of the population—a reflection of the rise in the number of uninsured people and the consequences of managed-care gatekeeping that discourages access to other health-care services," reports California Nurse Association president Kay McVay, RN. The relationship between the "gatekeeping" practices imposed by the privatized managed-care policy matrix, along with the growing number of citizens without health-care insurance and the shutdown of hospitals and/or emergency departments, is quite direct. Compare the collapse in operating margins and the closure of emergency rooms in California from 1995 to 1999 (see **Figures 1** and **2**). As the rate of loss of revenues increased, the rate of emergency room closures increased. The California Healthcare Association's (CHA) April 2000 report, "California Hospitals—Facing Financial Crisis," from which Figure 1 is taken, reports that "64% of California hospitals have negative operating margins," and thus their operations alone "are not self-sustaining." To offset the loss, they must scramble for nonpatient income from gifts, grants, and so on. Even after that, the report says, "almost half the state's hospitals are operating in the red." Figure 1 shows that the loss in operating margins went from about −1.2% in 1995 to −5.3% in 1999.

Figure 2 shows that from 1995 to 1999-2000, nineteen hospitals with emergency departments closed, and nine, or 47%, of those occurred in 1999-2000. Of those nine closures, three were in the San Diego area, two in the San Francisco

FIGURE 1

Operating Margin Losses At California Hospitals

(Percent Loss)



Source: California Healthcare Association, April 2000 Special Report, "California Hospitals—Facing Financial Crisis."

Bay area, and one each in Sacramento, Long Beach, Lindsay, and Harbor City. During 1996-98, four of the 19 closed in the Los Angeles area. Each such closure forces patients to other facilities, which in turn adds to the overcrowding and waiting time for treatment. Of the 50 hospitals closed in the state since 1990, almost one-third (30%) closed since the Federal passage of the draconian 1997 Balanced Budget Act.

Size and Impact of Financial Losses

The CMA report asserts, "The current funding of trauma centers and emergency rooms is a disaster. The state's Medi-Cal [California's Medicaid] program severely under-reimburses the actual cost of emergency care. Many HMOs [health maintenance organizations] reduce reimbursement (down-coding), delegate the responsibility for payment to medical groups, or refuse reimbursement entirely because they didn't consider it an actual emergency after the service is provided. The flow of red ink has forced hospitals and physicians to function in a perpetual state of crisis." **Table 1** shows the losses sustained by nine representative counties across the state, both urban and rural. The increase in losses between fiscal years 1997-98 and 1998-99 ranged from a low of 15% to a high of 128%—but they all lost. For 1998-99, statewide emergency room losses totalled $316.5 million.

The impact of such losses is life threatening in many cases. A Cal/ACEP fact sheet lists some patient consequences: "preventable deaths and disabilities," "patients wait for respirators," "ICU [intensive care unit] patients held in ER for days," "long waiting room times," and "prolonged pain and suffer-

TABLE 1

Emergency Department Financial Losses (Representative Counties)

(Dollars)

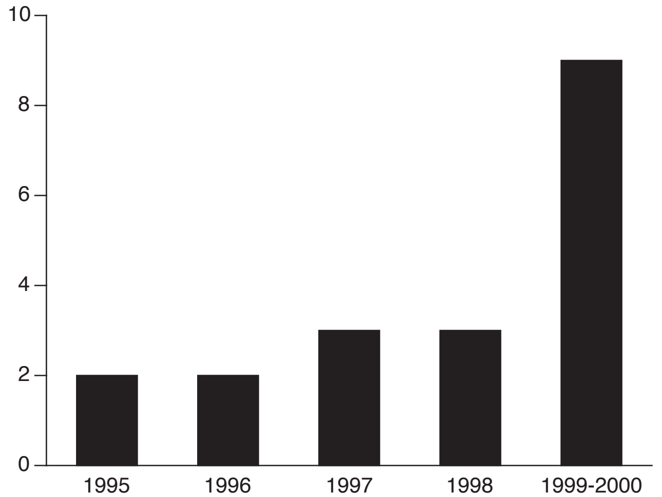
County	1996-97	1997-98	1998-99
Alameda	$9,805,952	$16,879,461	$20,802,807
Butte	2,049,620	2,592,243	4,216,448
Contra Costa	8,648,299	7,909,566	12,077,437
Humboldt	72,376	798,428	1,307,618
Los Angeles	78,195,890	77,037,599	94,944,083
Monterey	164,907	1,512,487	2,934,341
Sacramento	2,039,529	2,475,795	5,709,972
San Bernardino	16,381,315	17,142,584	19,679,307
Santa Clara	9,384,158	9,091,701	15,538,942
Statewide Totals (All Counties)	**$299,690,531**	**$291,986,350**	**$316,576,503**

Source: California Medical Association January 2001 report, "California's Emergency Services: A System in Crisis."

FIGURE 2

California Emergency Department Closures

(Number of Hospitals)



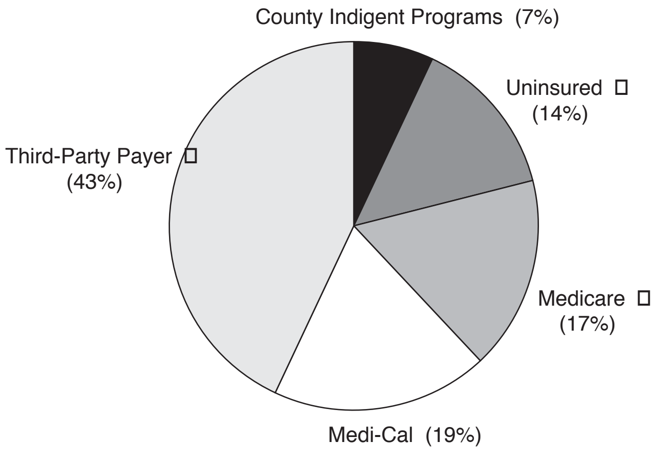
Source: California American College of Emergency Physicians' 2000 report, "Emergency Care in California: Overwhelmed, Underfunded and Dangerous."

ing." Both Cal/ACEP and CMA cite forced ambulance diversions as one of the largest contributing factors to these consequences. "Hospital diversion [sending ambulances from one hospital to another] has spiked dramatically" over recent years as more and more hospitals have closed, the CMA report states. The diversion happens when an ambulance arrives at a hospital and is told the emergency room is full or closed. At that point, it is forced to shop for an open ER, which decreases the ambulance's availability to the community and extends the treatment wait time. During 2000, the following hospitals

FIGURE 3

California Emergency Room Use, by Payer 1998-99

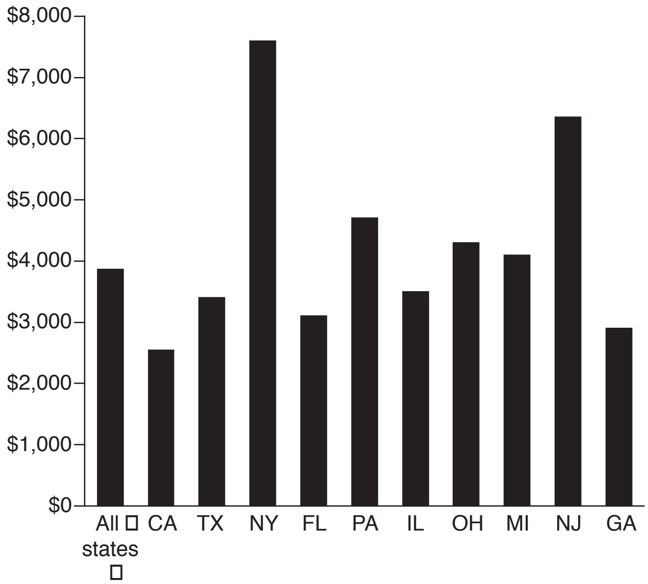
(All Services)



Source: California Medical Association January 2001 report, "California's Emergency Services: A System in Crisis."

FIGURE 4

Ten Most Populous States: Average Medicaid Payment Per Recipient



Source: California Healthcare Association, April 2000 Report, "California Hospitals—Facing Financial Crisis."

were on by-pass diversion: San Francisco General Hospital, 31% of the time; Los Angeles' Martin Luther King Hospital, 70%; and all of San Diego's hospitals, 15%.

Emergency rooms have become "the providers of first resort for many Californians," as more and more Medi-Cal and uninsured patients are squeezed out of the traditional health-care system. If we look at the percentage of use of ERs by type of payer, we begin to see why these vital service centers are operating in the red. The CMA report states, "Medi-Cal, uninsured patients, and county indigents accounted for 40% of all emergency room visits during 1998-99" (see **Figure 3**). The percentage of these patient types' use climbed to 53% in 40 of the hospitals which reported the greatest losses. The CMA reports, "For these patients the hospital and physician can expect inadequate or no payment." Next look at the "third-party payer" category, which is 43% of the users at California ERs. A very high percentage of this category of users are in HMO plans, which frequently reduce and/or refuse payments for emergency room visits. Add to this the balloon end-loaded 1997 Balanced Budget Act cuts, which will total $6 billion in Medicare cuts to California hospitals during 1998-2002, and you have a disaster.

The Failing U.S. Economy

While this picture is bleak, it will get worse. As the U.S. physical economy rapidly plummets, with layoffs increasing and production drastically contracting, more and more Americans are becoming uninsured. Of necessity, they will have to seek medical care at hospital emergency rooms. These economic realities will very soon swell the percentage of visits made to ERs by the uninsured and Medicaid recipients, thus further gouging hospital revenues. Simultaneously, states' budget deficits are zooming, leaving many legislatures scrambling for funding schemes to meet the state portion of the Medicaid program. Already in 1997, California ranked "last among the ten most populous states in expenditures" made on behalf of eligible Medi-Cal recipients (**Figure 4**), and 48th nationwide—which payments covered less than 40% of outpatient costs. Moreover, because of the 1997 Balanced Budget Act-mandated cuts, "The total Federal funds available for California hospitals will decline . . . , from $1.1 billion in 1997-98 to $881 million in 2001-02," the CHA reports. According to a CHA spokesman, total uncompensated care in the state has already risen to $2.958 billion, a 61.1% increase since 1998!

The magnitude of this looting of the California hospital system, compounded by the accelerated shutdown of the real economy and the energy crisis, cannot but cause the system to "flat line and die." Two California legislators have initiated stop-gap measure bills to stem the hemorrhaging. State Sen. Joe Dunn's (D-Santa Ana) bill would declare emergency care "an essential public service" like fire and police, and increase state funding subsidies for it. State Sen. Jackie Speier's (D-Hillsborough) bill (SB 17) calls for direct payment by HMOs for emergency claims. While both initiatives are not unuseful, nothing short of a full-scale national FDR-style mobilization to protect the general welfare as the guiding principle for any and all expenditures, will work.