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[Home](#) > Hospital's return to nonprofit explained at forum

Hospital's return to nonprofit explained at forum

Wed, 03/22/2017 - 4:02pm [Sharon](#) [1] [Millerton News](#) [2]

By Cynthia Hochswender

SHARON — Making the case that “it’s time for us to make a change,” top administrators from Sharon Hospital and RCCH (formerly Essent) explained at a community forum in Sharon on March 16 that health care laws and taxes have made it unprofitable and illogical for RCCH to continue to own the 78-bed community hospital.

RCCH is selling Sharon Hospital to Health Quest, a system of nonprofit hospitals and physicians in the nearby Hudson Valley. Their group includes Vassar Brothers Medical Center in Poughkeepsie and Northern Dutchess Hospital in Rhinebeck.

About 40 people attended the community forum last Thursday at Sharon Town Hall. The next step in the process of Sharon joining Health Quest will be a public hearing at the Town Hall on Wednesday, April 5, from 4 to 6 p.m. All residents of all towns served by the hospital, in New York as well as Connecticut, are invited to attend and to ask questions.

When Sharon Hospital joins Health Quest, it will return to not-for-profit status. It had become the state’s only for-profit hospital in 2002, when it was purchased by Essent Healthcare.

The hospital had to present a certificate of need to the state explaining why it wants a change of ownership and to join Health Quest, which returns Sharon to non-profit. The hearing on April 5 is part of the state’s process in determining whether it should allow the sale and conversion.

If all goes smoothly, Sharon is expected to get state approval by July.

Reasons for the sale

Mike Browder opened the meeting by explaining why RCCH decided to let Sharon go. He is the executive vice president and chief financial officer of RCCH HealthCare Partners, which is Sharon’s parent company.

He talked first about the investments RCCH made in Sharon Hospital and the company’s regret at leaving this community.

He pointed to the sizable provider tax being levied by the state as a major cause for Essent’s decision to sell. Also hurting Sharon Hospital were state regulations that made it difficult for patients from New York state to cross the border and get care from Connecticut physicians.

"Frankly, this is a very tough state from a regulatory point of view," he said.

With RCCH, Sharon Hospital was part of a larger group which helped it in some ways, such as improving its purchasing power. But it was still geographically isolated from the other hospitals in the RCCH group, most of which are in the south.

"The clock is ticking on stand-alone community hospitals," Browder said. Sharon Hospital is "out there by itself," even as part of the RCCH family.

"The right solution," he said, "is for Sharon to be part of a system with geographic proximity."

A return to the community

Next to speak was Robert Friedberg, who joined Health Quest as president and CEO. Prior to that he was at hospitals in Illinois, including Rush-Presbyterian-St. Luke's in Chicago.

Friedberg reassured the audience that Health Quest already considers Sharon and the other towns of the Tri-state region to be part of their community. Health Quest is continuing to expand and improve services, and Sharon will benefit and be part of that growth.

When Sharon joins Health Quest "will there be a huge sucking sound" as services and profits leave the community? It will be the opposite, he promised.

Right now, Vassar and Northern Dutchess have more patients than they can manage. Health Quest's plan is to beef up services in Sharon so that more patients can be serviced here. New physicians are already being recruited for Sharon. There are also immediate plans to increase cardiac care options here and to offer cancer care again.

For patients who need higher levels of care, such as someone who needs open-heart surgery and chooses to have it done at Vassar, Health Quest "will make it easy, with the transfer of medical records, physician relationships, referrals."

One man questioned the financial assumptions being presented in the Certificate of Need that the hospital has presented to the state. Friedberg went through the numbers with him but said that in the end, it doesn't actually matter if Sharon reaches the most optimistic projections in the shortest amount of time.

"I'm not looking to make Sharon Hospital profitable," he said. "I'm looking at the health-care needs of a large community and trying to figure out what medical care is needed and how to provide it."

A woman asked about community oversight. Friedberg said that there is a board that oversees Health Quest, which will now have representation from the Sharon Hospital board. And there will also be a local board just for Sharon Hospital.

Foundation funds

Someone noted that when Sharon Hospital switched to a for-profit entity, funds that had been donated from the community over the year were given to a nonprofit called the Foundation for Community Health, which was created specifically to grow and use those funds. Some of the money that will be given to Health Quest for the purchase of Sharon Hospital will come from those foundation funds. The questioner said she felt uneasy about whether those funds will no longer be available to give grants to local organizations.

When the foundation was created by the attorney general, it was given the right of first refusal to purchase the hospital during the first five years in which it was owned by Essent. During those five years, none of the money could be spent. In that time and since then, the foundation's funds (which

have been managed by the Berkshire Taconic Community Foundation) have grown from \$16 million to \$25 million.

Nancy Heaton, who is head of the foundation, stood to reassure the audience and to say that money will still be available. Through investments it has grown over the years; and there will still be money left after the purchase of the hospital.

“The money will be spent in two parts,” Heaton said. “Three million dollars will go toward the purchase price of the hospital. Then a second investment of working capital will be used to help the hospital grow and succeed.”

Health Quest will pay \$2 million toward the purchase.

The foundation’s decision to partner with Health Quest followed nearly a year of discussions, Heaton said. In that time, the foundation talked to other hospitals and health-care systems, to be sure that Health Quest would be a good and reliable partner and to see if a better buyer might be out there who would like to invest in Sharon.

The foundation is in theory going to invest an additional \$6 million back into the hospital but, Heaton said, “Only if Health Quest invests twice as much as that.”

Both Heaton and Friedberg stressed that the hospital is now being returned to the community, after being owned for since 2002 by a corporation.

Physician choices

Sal Accardo asked if the new hospital will be attractive to high-quality physicians and if it will someday be possible to get a second opinion without having to leave the area.

Friedberg said that in certain areas it’s likely that there will be multiple specialists. Cardiology is one example.

“Five or six years ago, the heart center at Sharon Hospital was a stand-alone company that was competing against the cardiologists who were practicing here,” he said. “That’s not a good model.”

Under the Health Quest model, there can be multiple cardiologist working in different areas for the same company, so they won’t be in competition and they won’t have to worry about patient volumes.

He also noted that the entire Health Quest system, including Sharon, will begin to have medical residents (MDs) in 2019. That not only increases the number of people providing medical care, “it also gives us the chance to recruit the best of them.”

Howard Fuhr asked whether there will be more primary care physicians brought to the community. Friedberg said he expects there will be three to five more primary care doctors here within the next couple years. He also noted that of course the busier the doctors are here, the more attractive the area becomes to high-quality doctors.

It isn’t just the finances, he said. Good doctors want to be challenged; they don’t want to sit in their offices with nothing to do and no one to see.

“Our job is in part to create an environment in which doctor’s are intellectually stimulated, they’re paid well and they become part of the community in which they live and work.”

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[1] <http://tricornnews.com/category/articlelead-category/lakeville-journal/sharon>

[2] <http://tricornnews.com/category/articlelead-category/millerton-news>