Wall Street Makes a Killing By Closing Down Hospitals

by Mary Jane Freeman

Aug. 19—Across America, dozens of hospitals in just the last six months have either shut down or been threatened with closure. The cited reasons included charges of fraud against their CEOs, the imposed *de facto* bankruptcy of the hospitals due to the slashing of Medicare and Medicaid reimbursements, and derivative scams by the Wall Street banks. Such closures, or curtailed services, are driven by the Wall Street/London dictate that health care is a business, merely another market to be looted. That such action will result in a massively increased death rate is considered a boon, given the British financial oligarchy's commitment to reducing the world's population.

In a Glass-Steagall credit-driven economic boom, the real subject is the health and well-being of the population which requires a hospital-centered delivery system.

Even before the implementation of Obamacare, itself a London-Wall Street fascist creation, intended to implement the imperial depopulation agenda, the Wall Street predators were ripping apart America's once-unrivaled, county-by-county, hospital system. It began big time with the laws establishing Health Maintenance Organizations (HMOs) in the early 1970s, and has accelerated along with financial deregulation, with insurance companies and for-profit hospitals taking over, and "rationalizing" an increasing part of the vital health infrastructure.

One aspect of the looting was a result of the Libor rate-fixing scam, exposed in 2012. More than 500 nonprofit hospitals, one in six nationwide, bought interest rate swaps in recent years. Dozens were then hit hard in these deals, paying out millions of dollars because of rigged interest rates and terms of contract. They had to cut medical services.

A preliminary survey by *EIR* researchers shows that more than 26,000 community hospital beds were eliminated in the eight years of the George W. Bush Administration, and the first four years under Obama, ravaging an already dwindling infrastructure of community hospitals. Obama also shuttered 37 community hospitals in his first term. During Bush's reign a few were built, mostly in GOP-majority states, e.g., Indiana, Florida, and Texas.

Those who think that the United States can survive as a nation under Wall Street rule, are dead wrong. The following preliminary picture should make that unequivocally clear.

The Hill-Burton Standard Destroyed

To rip apart the American health-care system meant, first of all, to destroy the Hill-Burton standard.

America built its public community hospital infrastructure as a result of the 1946 FDR-legacy Hill-Burton Act. It mandated building a county-based hospital health-care delivery system. A national survey of need, made prior to the Act, found that an average adequate hospital bed-to-person ratio would be 4.5 beds for every 1,000 people. This varied from 2.0 to 5.5 beds, depending on population density. So a concept of concentric concentrations of hospitals, by state, was used to create coordination of care between rural and urban areas. This

Facebook/Keep Brooklyn Hospitals Open for Care

Brooklyn's Long Island College Hospital staff protests a threatened shutdown by SUNY Downstate, April 2013. On Aug. 17, a judge's ruling ordered the hospital to restore services to pre-July 19 levels.

ensured a network of bed availability, and access for short-term acute care, epidemics, and/or disaster emergencies. A massive Federal-state building project followed. By 1980, the U.S. had built up to a level of 5,810 community hospitals, spread over 3,000 counties, which provided 987,000 beds for 226 million Americans.

Halting the construction, and opening the door to the Wall Street profiteering of the health-care income stream was President Richard Nixon's signing into law of the 1973 HMO Act. No longer was health of people the driver for health-care policy; instead, profits of HMO insurance vultures became primary. The result: From the 1980 peak of building, to 2011, the U.S. lost 20% (189,600) of its community hospital beds due to the closure of nearly 15% (837) of community hospitals. Yet, the U.S. population grew by 85 million between 1980 and 2011, the latest year for which data is available.

This drastic loss caused the national average bed-to-population ratio to plummet from 4.4 per thousand in 1980 to 2.6 in 2011, a 41% collapse! In fact by 2011, 42 states—84%—no longer met the standard of 4.5 beds per thousand of population ratio. In four states (Vermont, Wisconsin, Colorado, and Minnesota) the ratio fell 51-55%, while in another 19 states, it fell 40-48%, and in 23 states, it plunged between 23-39%. Only in two states, North and South Dakota, and in the District of Columbia, does the 4.5 or higher ratio hold.

HMO financial sharks such as today's multi-billion-dollar companies UnitedHealth Group, WellPoint, Humana, Aetna, and Cigna, have become the top looters of our hospital system since that 1980 paradigm shift.

Now, Obamacare is set up to finish it off with its cuts in Medicare and Medicaid reimbursements to hospitals, while it will force millions more into the ranks of Medicaid or the uninsured, people who will only have hospitals as their last resort. Already, hospitals have laid off thousands as their revenue base has been decimated by Obama's sequester cuts, lower patient volumes due to depression conditions, and growing debt (often uncollectible) due to shrinking Medicaid and Medicare reimbursements.

Taking into account the 85 million increase in population, as against the loss of beds, the U.S. now has a 577,550-bed deficit for the 314 million people who live here. If we are to return to the standard of 4.5 beds per 1,000 people, between 2,000 and 3,000 hospitals are needed.

To accomplish this, up to 2,000 new hospitals should be built, while those that have been closed are restored; beds taken out of service in existing hospitals can also be restored. Adding bed capacity also requires training new doctors and nurses to staff the facilities.

Hospital Closures Underway

A preliminary national survey shows an intense process of hospital "consolidations" and shutdowns. Notable cases follow.

New York: In Brooklyn, a huge battle is raging over the imminent shutdown of Long Island College Hospital (LICH), which is owned by the State University of New York Downstate Medical Center (SUNY Downstate). At rallies protesting the closure of LICH, 18 people were arrested the week of July 8, and supporters, along with hospital staff, travelled by bus to Albany on July 16 to demand that the hospital be kept open. Violating a court restraining order, SUNY Downstate is dismantling LICH piece by piece. So far in July, it barred ambulances from LICH's emergency room, began closing core departments, and prohibited admissions. Downstate argues it can't afford to keep LICH open, but supporters charge the hospital closure is a big "real estate deal" for SUNY Downstate. In 2012, LICH served more than 60,000 residents, and it is ranked as the second-best hospital in Brooklyn.

New Jersey: A number of hospitals in the state are faced with merger and/or acquistion by corporate healthcare systems. In Morris County, the Saint Clare hospital system's three hospitals—Denville, Dover, and Boonton—were up for purchase. The buyer is Prime Healthcare, a multi-billion-dollar hospital chain which is under investigation by California officials for some of its practices. NewJersey.com reports that over the last three years, Prime has acquired "four hospitals in Texas, one in Nevada, two in Pennsylvania and two in Kansas. It already owns 14 in California and is attempting to buy one in Rhode Island." The New Jersey Department of Health is examining the proposal in light of Prime's problems in California, and its legal battle with SEIU employees. Phyllis Salowe Kaye, executive director of New Jersey Citizen Action, is raising pointed questions too.

Hudson Holdco, which currently owns Bayonne Medical Center, Hoboken University Medical Center, and Christ Hospital in Jersey City, is moving to consolidate services and offer statewide insurance plans, in order to make a windfall profit for its renamed company, CarePoint Health, taking advantage of insurance market provisions in Obama's Affordable Care Act.

Texas: In early June, the Shelby Regional Medical Center closed. It had served the community for 45 years, had 44 beds, and cared for 700-900 patients monthly. From preliminary reports, it appears the hospital was looted by its owner, Dr. Tariq Mahmood, who was indicted by a Federal grand jury in April on a charge of conspiracy to commit health-care fraud and seven counts of health-care fraud. The alleged fraud centers on false claims to Medicare and Medicaid. The loss of Medicare and Medicaid funds to the hospital left it no option but to close. Now, to get care, residents have to drive long distances or be helicoptered to the nearest hospital.

Earlier, Mahmood's skullduggery resulted in the temporary closure of Renaissance Hospital in Terrell, near Dallas.

California: In April, three hospital sites in Los Angeles had their operations suspended: Bellflower Medical Center, and the Los Angeles and Hawthorne campuses of Los Angeles Metropolitan Medical Center. These facilities had among them 350 beds and over 1,900 employees. The temporary closures stemmed from the financial plight of their owner, Pacific Health Corp., which was fined $7 million by California's Department of Industrial Relations for bouncing paychecks to its employees, while also taking deductions for insurance premiums, and then not paying the insurance providers. A year ago, Pacific paid $16.5 million in fines to the Federal government in connection with Medicare and MediCal billing frauds and kickbacks.

At the same time, Pacific closed Newport Specialty Hospital in Orange County, and began closure of Anaheim General Hospital.

In late June in Coalinga, a rural town of 17,000 people near Fresno, the CEO of Coalinga Regional Medical Center, Sharon Spurgeon, appeared before the city council to explain the center's financial crisis. She said the hospital faced a likely 10% cut in state payment from MediCal reimbursements, and also would have to pay $5 million for retroactive cuts back to 2011. "We're on the edge," she reportedly said. More than half of the hospital's patients are MediCal recipients. Its closure will put 246 people out of work and will result in 45-minute travel time to the nearest hospital, as many other rural hospitals in this region have closed over the last 23 years.

Massachusetts: Boston's largest safety-net hospital, Boston Medical Center, has plans to close its East Newton Street campus, which has 85 beds. The threat of closure is due to expected state and Federal budget cuts. BMC overall has 496 beds in its hospital network. Last year BMC made a small profit of $8.8 million, after having been in the red. But this margin is vulnerable, since reimbursement cuts are expected under Obamacare, and 75% of BMC's revenue is derived from Medicare and Medicaid.

Illinois: In early July, after the arrest of its CEO and CFO, Chicago's Sacred Heart Hospital abruptly closed. The closure violated Illinois public-health laws. Back in April, Edward Novak, the CEO and owner of the 119-bed for-profit hospital, CFO Roy Payawal, and several physicians were arrested for involvement in kickback schemes. Shortly after the arrests, and prior to the abrupt closure, a New York-based turnaround (vulture) company, Alvarez & Marsal Holdings, LLP, took over Sacred Heart.

Also in Chicago, in early June, the financially strapped safety-net Roseland Hospital, which had earlier threatened to close soon after its CEO quit, and after laying off 68 employees, entered into negotiations for a takeover. Gov. Pat Quinn secured a meager $350,000 to keep Roseland afloat, and pay its employees for a bit longer. Quinn's office is hoping for a takeover to keep it open.