

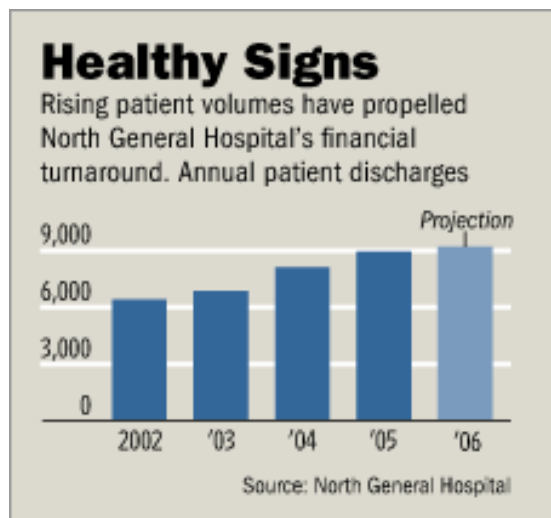
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How a Harlem Hospital Healed Itself

 By **RAFAEL GERENA-MORALES**
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Since its founding in 1979, North General Hospital, a small community hospital in Harlem that caters to the poor and elderly, had always lost money -- until last year.

That's when the hospital's two-year-old turnaround plan started to pay off. The strategy was so successful that the hospital's bottom line swung to a \$2.6 million surplus in 2005 from a nearly \$20 million loss in 2003. The hospital anticipates another \$2 million surplus this year.




How North General, a 200-bed hospital located in a predominately black and Latino neighborhood, fixed its finances "sounds like a business-school case study," says Liz Sweeney, who covers the New York state hospital industry for Standard & Poor's, the credit-ratings service.

Struggling with low government reimbursement rates and mainly providing low-margin routine checkups and physical exams, Samuel Daniel, North General's chief executive since 2001, says he and his management team plotted a strategy to tackle a tough question: "How do we turn the hospital around?"

Among the answers: North General focused more on treating ailments that afflicted Harlem residents in high rates, including cardiovascular problems, hypertension, obesity, diabetes and infant mortality. It offered additional surgical procedures that brought in additional revenue. It promoted its services at neighborhood

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fairs and community centers. It struck an alliance with a nearby prominent medical center that gave North General patients access to more specialty care.

Running an inner-city hospital has long been financially draining. Such hospitals lack the money and cutting-edge equipment to compete against larger hospitals. They lose top recruits to prominent teaching hospitals. Low-income communities tend to have a higher percentage of uninsured patients who can't pay their medical bills or are covered by government health plans that typically pay less for medical services than private insurers. And low-income patients frequently bolt to hospitals in affluent areas when they need specialty care.

North General faces these obstacles, yet its plan is working. From 2002 to 2005, the number of patient discharges jumped 40% to nearly 9,000, and is expected to climb to 9,225 this year, according to the hospital. Outpatient volume between 2002 and 2005 rose 32% to 95,746 visits, and 103,520 visits are expected this year.

During the three-year period to 2005, North General's revenue rose 45%, boosted by higher patient visits, including surgical procedure volumes that jumped nearly 20%. This year, North General estimates revenue will rise 2.7% to \$152 million from \$148 million last year. North General is paid in large part by government health plans, such as Medicare and Medicaid, and to a lesser extent by private insurers.

But before offering any new services, North General had to confront a major problem: attracting higher-skilled surgeons. "We needed the technical know-how," Dr. Daniel says.

The hospital couldn't afford to hire these surgeons, so Dr. Daniel tried another route: He forged an alliance with the Mount Sinai Medical Center, one of New York's most prominent teaching hospitals located just a mile away from North General. (In addition to his North General duties, Dr. Daniel is an associate clinical professor of medicine at Mount Sinai's medical school.)

He approached Mount Sinai's president and CEO, Kenneth L. Davis, and the two men agreed that both hospitals could benefit from a collaboration. Within 90 days, the hospitals reached an agreement that took effect in January of 2004.

North General pays Mount Sinai an annual \$2.7 million and in return gains access to 16 Mount Sinai doctors who perform vascular surgery, lung biopsies, and other highly specialized services on North General's campus. Mount Sinai also provides specialists in urology, rheumatology, radiology, and pediatric psychiatry. North General receives the revenue from these services. In a separate agreement, North General and Mount Sinai have teamed up to provide free preventive care to Harlem residents with chronic illnesses in exchange for higher Medicaid reimbursement rates at its outpatient clinic. (The arrangement has benefited both Mount Sinai and New York state. See [related article](#)¹.)

Contracting these specialists costs less than if the hospital hired the doctors on its own, says Michael Greene, North General's chief operating officer. The contract also gives North General staffing flexibility because it can ask Mount Sinai to send specialists for extra hours as more patients come in for these specialty services. This helps North General control labor costs by linking a doctor's work hours to patient volumes.

For Mount Sinai, the deal boosts the hospital's revenue and brings in patients. Last year, North General transferred roughly 375 patients to Mount Sinai for cardiology, neurosurgery and obstetrics services. As a teaching hospital handling complex cases, Mount Sinai "needs community hospitals as referral sources," Dr. Davis says.

In 2004 North General began offering bariatric, or weight-loss, surgery, in which a surgeon staples off a section of a patient's stomach, leaving a tiny pouch that absorbs less food. Last year, North General performed 109 such surgeries and it expects to perform 125 this year. Medicare and Medicaid typically pay North General \$10,000 to \$12,000 per bariatric surgery, though a complicated procedure can bring in as much as \$20,000. Last year, the bariatric surgery program generated \$725,000 in revenue and a \$25,000 profit, according to Frank Hagan, North General's chief financial officer.

Since many emergency-room patients were being sent to hospitals in other neighborhoods, North General added ambulances in 2002 and 2004 that brought more Harlem residents through its emergency room -- thus boosting revenue. Emergency-room visits jumped 16% to nearly 34,450 in 2005 compared with 2002. North General estimates that roughly eight out of 10 patients who are admitted to the hospital stem from emergency-room visits.

North General recognized that infant mortality is a health problem that looms large in the Harlem community. In August 2004, the hospital opened the Women's Health Center in a separate building that handled nearly 4,000 visits last year. The center offers a prenatal program with services that include ultrasound, nutritional counseling and social work. While the center isn't yet profitable, North General says female patients who are treated at the center are more likely to bring family members to North General for other medical care.

Last year, the hospital expanded its AIDS center and opened a new cardiac-catheterization laboratory that checks patients for clogged arteries, a precursor to heart trouble. The profitable AIDS center, which is promoted in Harlem through brochures, open-house events and free HIV testing at local health fairs, handled more than 6,400 visits in 2005 and projects roughly 7,250 visits this year.

Since opening in December, the catheterization laboratory has handled 152 visits, and projects 300 cases for 2006. North General markets the lab's services to primary-care physicians and cardiologists.

Henock Saint-Jacques, a North General cardiologist, says he used to refer patients to other hospitals for exams, but he estimates as many as 30% of patients wouldn't make the trip. "Those problems started to fade away" once North General opened its cardiac lab, he says. "This has improved the quality of care."

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