Click here for Full Issue of EIR Volume 27, Number 30, August 4, 2000

Economic 'Boom' Causing National Hospital-Nursing Home Shutdown

by Paul Gallagher

You may be among those who believe that the United States is booming and prosperous, and has entered an era of budget surpluses. If so, chances are you have not been seriously ill or had an accident recently.

The Balanced Budget Act of 1997 and related policies supposed to be causing surpluses to materialize, are causing the nation's hospitals and nursing homes to vanish, along with the skilled nursing staffs in them.

On July 24, hospital and business associations went public in Washington, D.C. with a warning that the nation's hospitals face bankruptcy and shutdown, and began placing newspaper and TV advertisements to run through the Democratic and Republican Conventions, to continue through 2001. The American Hospital Association is already conducting a national petition drive for the same purpose: to repeal the 1997 Balanced Budget Act.

Already, the number of hospital beds in the United States has fallen by 15% since the 1980s (**Table 1**), and the trend has been accelerating since 1994 (**Figure 1**). More than one-third of the hospitals remaining are losing money year-to-year; in Massachusetts, it is two-thirds of all hospitals; in Pennsylvania, four out of five hospitals cannot cover operating costs with revenues.

The interviews which follow this article highlight the painful case of Washington's venerable D.C. General Hospital, apparently slated for a shutdown that will leave an entire area of the city without hospital care. Traditional inner-city hospitals are hit worst by the crisis, but not those alone. Outside Washington, in Virginia's Fairfax and Loudoun Counties, two of the wealthiest in the country, the ratio of hospital beds to population has fallen to two per 1,000 people. And the *entire sector* of hospitals located in the nation's rural areas, is losing money as of 1999; when these close, whole areas of Plains, Southern, or Western states are left without hospitals.

With nursing homes and long-term care facilities, the situation is worse. Ten percent of all nursing homes in the United

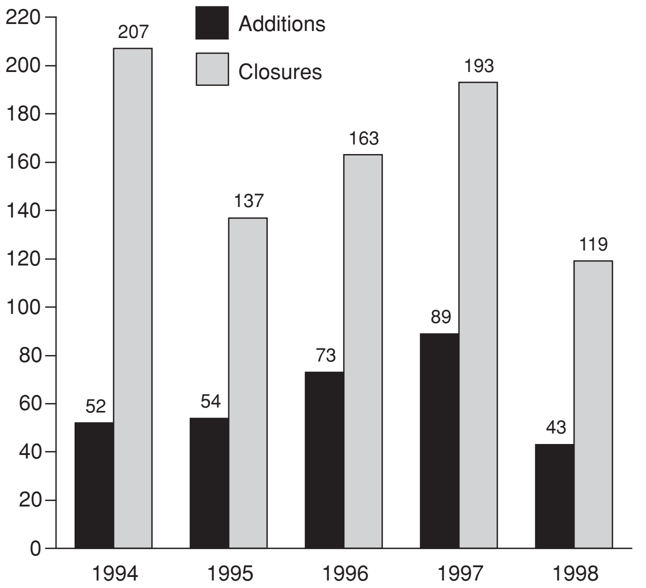
TABLE 1
Community Hospitals Closed and Beds Eliminated, 1985-97

	1985		1997		Number shut down		Percent shut down	
	Hospitals	Beds	Hospitals	Beds	Hospitals	Beds	Hospitals	Beds
Massachusetts	112	25,892	84	17,400	28	8,492	25.0%	32.8%
Michigan	193	37,546	154	27,900	39	9,646	20.2%	25.7%
Minnesota	165	21,933	137	17,100	28	4,833	17.0%	22.0%
Texas	480	66,061	407	55,800	73	10,261	15.2%	15.5%
Illinois	238	54,925	202	40,300	36	14,625	15.1%	26.6%
Washington	103	13,173	88	10,800	15	2,373	14.6%	18.0%
Tennessee	145	25,230	124	21,100	21	4,130	14.5%	16.4%
Alabama	129	19,703	111	18,600	18	1,103	14.0%	5.6%
Ohio	197	47,500	170	36,100	27	11,400	13.7%	24.0%
California	479	83,232	414	74,100	65	9,132	13.6%	11.0%
New York	259	78,986	225	71,000	34	7,986	13.1%	10.1%
Missouri	141	25,734	123	20,900	18	4,834	12.8%	18.8%
Louisiana	145	20,190	127	18,600	18	1,590	12.4%	7.9%
Pennsylvania	241	56,221	217	45,700	24	10,521	10.0%	14.7%
U.S. total	**5,732**	**1,000,688**	**5057**	**853,300**	**675**	**147,388**	**11.8%**	**14.7%**

Sources: American Hospital Association; *U.S. Statistical Abstract,* various years; *EIR.*

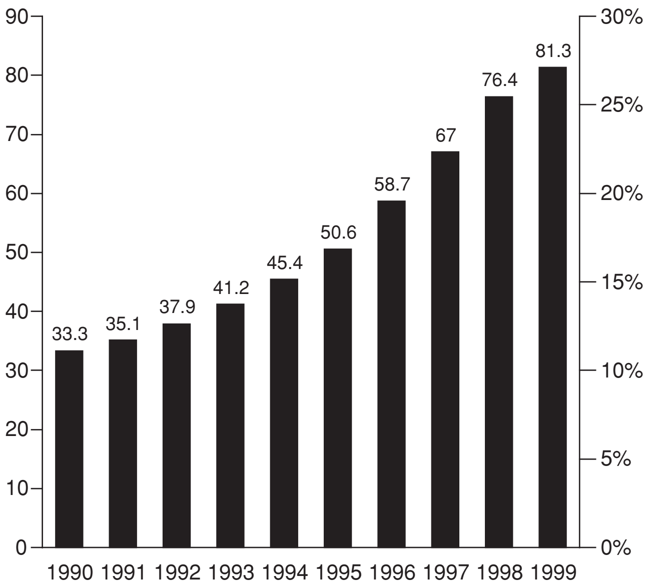
© 2000 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.

FIGURE 1
Closures Outweigh Additions, 1994–98
(Number of Hospitals)



Sources: AHA Annual Survey, 1994-1998; *Health Forum.*

FIGURE 2
Total HMO Enrollment, January 1990–January 1999
(Millions) (Growth rate)



Source: The InterStudy Competitive Edge: HMO Industry Report.

States are operated by companies in bankruptcy, according to *The Week in Healthcare* magazine; this year alone, five major providers of long-term care services have filed for bankruptcy. The most recent, Genesis Health Ventures, blamed "drastic and unanticipated cuts" in Medicare and Medicaid payments. The American Health Care Association blames the bankruptcies on the Balanced Budget Act.

The nursing homes also have lost staff, to the point that a report recently released by the U.S. Department of Health and Human Services says that the majority of all nursing homes do not provide the *minimum standard* of two hours care per patient per day from nurses' aides, nor 12 minutes (!) care per patient per day from registered nurses.

Killer Surpluses

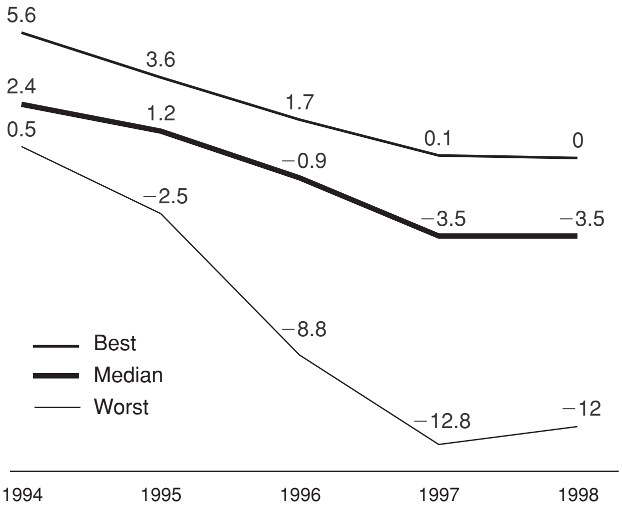
The disappearing availability and quality of health care make a mockery of the delusion, constantly invoked, of a booming and prosperous U.S. economy. Since 1996, the Federal government has savagely cut the payments for specific medical conditions, from Medicare and Medicaid to hospitals and nursing homes. These very cuts, and others enshrined in the 1997 Balanced Budget Act, have created the illusion of Federal budget surpluses, which supposedly betoken prosperity! At the same time states, many of those "rolling" in surpluses in the late 1990s, had similarly cut their payments to health care and health insurance programs.

The fatal irony of the Hospital Associations' now-urgent mobilization to attempt to stop the shutdowns, is that such groups have accepted the myth, spread by the Gore and Bush campaigns, the media, and so on, of future multitrillion-dollar surpluses. These are nothing but myths, in the face of the looming financial crash. But the hospital groups invoke that myth: "Washington is listening. Now, we must take . . . our crusade beyond the hospital walls and into the community. . . . The announcement of a more than $2 trillion surplus confirms that the resources are available to repair the damages caused by the Balanced Budget Act."

The fact is, that in January, the Congressional Budget Office reported that Medicare payments to hospitals over the next five years, would be $62 billion *lower* than the same CBO had estimated only two months before!

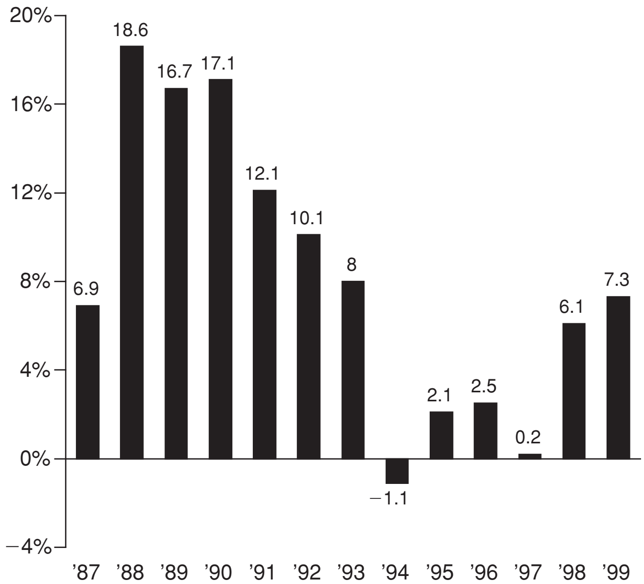
At the same time, a drastic nursing shortage developed due to the tightening grip of the health maintenance organizations (HMOs) on the nation's health care. The HMOs replaced nursing staff with lower-paid nurses' aides and medical technicians on the one hand, and high-paid accountants and time-study types on the other. Nurses are drastically overworked and quitting; nursing school enrollments dropped by 21% from 1995 to 1998. Half the country's RNs will retire in the next 15 years or less; during that period, only one-third of the new nurses needed will be available, says the Department of Health and Human Services. At a four-day Washington, D.C. conference on nursing shortages in late July, an officer of the Maryland Allied Healthcare Recruiters Association admitted that her attempts to send nurses into high schools to encourage students into nursing careers backfired, because the fact that

FIGURE 3
HMO Profitability
(Percent)



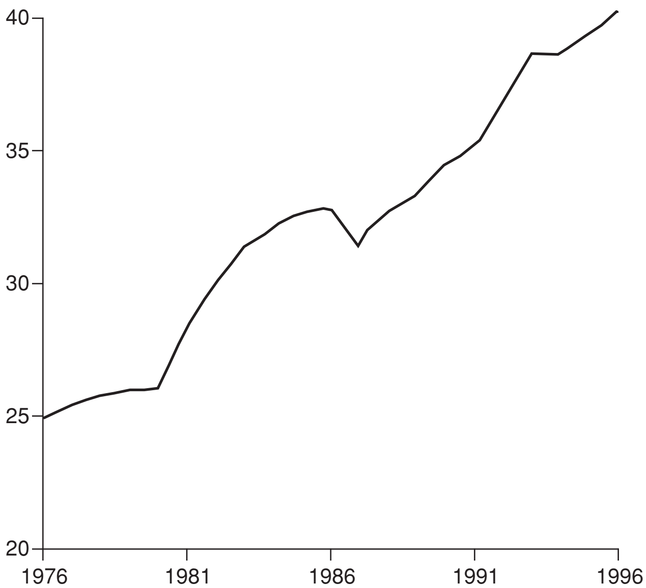
Lines represent 75th, 50th, and 25th percentiles of HMO's
Source: The InterStudy Competitive Edge: HMO Industry Report.

FIGURE 4
Annual Change in Average Cost of Health Benefits, 1987–99



Source: William M. Mercer, Inc.

FIGURE 5
Number of Uninsured Americans, 1976-96
(millions)



Source: David U. Himmelstein, M.D. and Steffie Woolhandler, M.D., M.P.H., *Healthy Profits, Unhealthy Care: An Update on Market-Driven Health Care,* tabulation from CPS and NHIS data.

the nurses are obviously overworked, exhausted, and frazzled scares the students off.

HMO's Take Hospitals into Bankruptcy

This current phase of shutdown of America's hospital and health-care delivery system, is following from the *final phase* of healthcare looting by managed care, the HMOs, and similar operations.

The HMOs looted super-profits from health care during the late 1980s and 1990s—indeed, the U.S. Supreme Court recently ruled that that was the purpose intended for the HMOs by Congress!—by drastically lowering the payments to health-care providers for treating specific conditions, just as the Federal and state governments have done with their cuts. The number of insured Americans enrolled in HMOs reached a peak of over 81 million in 1999 (**Figure 2**). But predictably, now the HMOs themselves are going bankrupt from their own looting process (**Figure 3**). The reduction in health insurance premium increases which they briefly provided, has reversed itself (**Figure 4**). In the HMOs' desperation to avoid bankruptcy and quell revolts of their stockholders, they are "skipping out" on their contracted payments to hospitals and nursing homes, to the tune of tens of billions of dollars per year.

On top of this, the number of Americans without any health insurance is undergoing an "alarming and steady increase," in the words of a July 24 *Washington Post* editorial. The continuing deterioration of the nation's health insurance system again belies the myth of the "greatest period of prosperity," etc. "In theory," wrote the *Post,* "the economic progress should have produced a decline in the number of people without insurance, because the higher the income, the greater the likelihood a person will be insured. But in fact, the number of people, and not just poor people, without insurance continued to increase." That number, which had increased by about 750,000 per year since 1986 (**Figure 5**), jumped from 1994-98 by more than 1 million per year. The HMOs will drop insurance for nearly 1 million elderly Medicare beneficiaries in 2001, according to the Clinton Adminstration—more than doubling the rate at which these HMOs were casting off Medicare patients in the past two years.

The nation's hospital sector, as a whole, will soon be in the red. Repealing the Balanced Budget Act in itself will not free up "surpluses" to save the hospitals and nursing homes from closing in even greater numbers. For that, HMOs have to be abolished, and the nation returned to the health-care policy of the 1954 Hill-Burton Act, under which Federal, state, and county authorities were jointly responsible for ensuring a national average of more than five beds per 1,000 people, and that the specific types of care and staffing necessary, were in fact available. This approach is embodied in the proposed "The Right to High-Quality Health Care" bill, drafted and advanced by Lyndon LaRouche's Presidential campaign.

Stop the Shutdown of D.C. General Hospital

by Marianna Wertz

The District of Columbia General Hospital, health-care "provider of last resort" to the poor and uninsured residents of the nation's capital, faces the threat of imminent shutdown.

While hospitals around the nation are in crisis, many shutting their doors or declaring bankruptcy due to the ravages of managed care and the "balanced budget" austerity that has left them grossly underpaid by Medicare and Medicaid, the crisis besetting the landmark District of Columbia General Hospital, now threatened with closure, is particularly severe. This is true not only because of the manifold and chronic health problems besetting the impoverished Washington, D.C. population, which D.C. General has served for generations, but also, because this is the nation's capital, and whatever happens there, reverberates across the country.

EIR spoke in late July with two of the leading figures in the D.C. health field, both in the forefront of trying to stop the shutdown of D.C. General. Loretta Owens is president of the government employees union, the American Federation of State, County and Municipal Employees (AFSCME) Local 1033, which represents approximately 800 professional and technical workers at D.C. General. She is passionately involved in this fight for a hospital where she herself was born, and where she has worked for nearly 28 years.

John Fairman is the embattled former Chief Executive Officer of the D.C. Health and Hospitals Public Benefit Corp., which runs D.C. General. He was fired on June 30, in the midst of an escalating scandal surrounding his office and his own alleged mis-administration. We called Mr. Fairman when it appeared that he was being scapegoated by those District and Federal officials whose actual intent is to shut down the hospital, despite the consequences for the D.C. population.

Why D.C. General Is Needed

D.C. General Hospital is the "provider of last resort" for all District residents, the only public acute-care hospital in the District. It serves the entire District, but particularly those in the Southeast quadrant, where it is located. The Southeast has the highest concentration of poor and black residents, and the highest incidence of heart disease, infant mortality, and cancer in the District. Infant mortality in 1997 in the District overall was 12.1 deaths per 1,000 live births—70% higher than the national average. The number of AIDS cases per 100,000 people, at 189 in 1997, is nearly nine times the national average.

D.C. General is run by the D.C. Health and Hospitals Public Benefit Corp., or PBC, formed in 1995, which also oversees ten clinics, nurses in 147 public schools, and the city jail and health facility. PBC was created to develop one integrated public-health-care delivery system for city residents, to ensure that the city's most vulnerable residents didn't fall through the cracks.

At the same time that the PBC was formed, the District, and the country as a whole, entered the thralls of the "Contract