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ERIE COUNTY LEGISLATURE

1999 FEB -1 P 3:40

# County of Erie

**DENNIS T. GORSKI**
**COUNTY EXECUTIVE**

**PHONE: 716-858-8500**

***February 1, 1999***

***To The Honorable***
***Erie County legislature***
***25 Delaware Avenue***
***Buffalo, New York 14202***

***Re: Negotiations Between***
***County of Erie and***
***New York State Nurses Association***

***Honorable Members:***

***As requested by your Honorable Body, the Director of Labor Relations was instructed to return to the bargaining table with the New York State Nurses Association in an attempt to reach a final settlement in the negotiations between the County of Erie and its Registered Nurses. The package presented to the Nurses is attached hereto and represents, we believe, a significant improvement over the previous offers. Most notable is the increase in the wage offer for the first year - 1997-98 - from 1.5% to 2.5%. The budgetary affect of this increase would be approximately $320,000 in each of the three years of the contract or almost $1,000,000 over the life of the Agreement. Furthermore, it represents a change of an additional $480,000 in each year of the contract over the original position taken by the County of a zero increase. Taken together these changes represent an increase of approximately $2,400,000 in the employer's stance on wages during the course of negotiations.***

***As you can see, the quid pro quo for the increase in the wage package was an acceptance on the part of the Nurses of three proposals. The first of these was an Agreement on the use of Per Diem Nurses. The purpose of this Agreement was to put in place a procedure whereby mandated overtime could be reduced. The second was an elimination of the use of compensatory time as a means of paying for overtime worked. The final proposal was a***



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***recognition of six of the annual holidays as "floating days" rather than set holidays.***

***The County and the Medical Center were hopeful that the three changes referred to in the previous paragraph would allow ECMC to operate in a manner which was not only more efficient and competitive, but mirrored the situations which exist in other area hospitals and provided the Nurses with relief from the mandated overtime that has been a constant source of controversy and complaint from the employees.***

***Unfortunately, we must report that the package proposed was deemed unacceptable by the Nurses. Specifically, they continue to demand a four year agreement with a wage package of 3.0%, 3.25%, 3.50% and 4.0%. Furthermore, they refuse to accept the changes requested in both compensatory time and holidays stating that they would not entertain any "give backs." Finally, they requested changes to the Per Diem Nurse Agreement which would, in the opinion of the administration of the Medical Center, render it useless for the purposes intended.***

***For the most obvious of reasons, the counter proposal submitted by the New York State Nurses Association is unsatisfactory as a means of settling the ongoing dispute. In the first place, it fails to recognize the economic realities of the situation facing all hospitals in Western New York and the Erie County Medical Center specifically, as was highlighted on the front page of the Buffalo News on January 31, 1999. (See attached). As was presented in ECMC's 1999 budget, the growth in the uninsured population, and the financial burden placed on ECMC as a result, make it unlikely that ECMC will be able to decrease its current level of need for the County contributions in the near future. Any agreement reflecting NYSNA's last demand would certainly require additional contributions (i.e., Taxpayer based revenues). This fact is evident in the level of wage increases still made part of their last proposal. It is also apparent in the disheartening refusal to accept any change which the employer believes is necessary to put the Medical Center on a more level cost basis with other Western New York hospitals, even when the changes requested simply alter the payment of overtime worked from compensatory time to money and seek to change the manner in which holidays are used rather than eliminate even a single day. Finally, the rejection of an Agreement on the use of Per Diem Nurses indicates that although they want the Medical Center to solve an existing problem in mandated overtime, they do not have any intention of allowing the solution to also involve a procedure necessary to foster either efficiency or cost-effectiveness.***

***We do not relish the idea of returning this problem to your body, but there is truly no other choice. It is hoped that you recognize the good faith attempt made to balance the expectations of the Nurses and their Bargaining Unit with the effect on the ability of the Medical Center to survive in the health***

***care industry of today as well as not increase the burden on taxpayers who ultimately have to pay for any irrational agreement reached.***

***In any case, we must now request that any increase in wages granted by your body not exceed the [illegible].5% level for the 1997-98 year as set forth in the previous correspondence following the receipt of the fact-finder's report. Anything in excess of this amount would seriously affect the Medical Center's ability to continue operations at the current level without additional money being added to the County contribution, particularly in the absence of any acceptance by the Nurses of the changes requested by the employer.***

***Very truly yours,***

D. T. Gorski

***Dennis T. Gorski***
***Erie County Executive***

Paul J. Candino

***Paul Candino***
***CEO, ECMC***

# Memo

**To:** NYSNA Negotiating Team

**From:** Michael A. Connors, Director

**CC:** James Keane, Deputy County Executive
Paul Candino, CEO, ECMC
Kenneth Kruly, Director of Budget, Management & Finance

**Date:** January 12, 1999

**Re:** Package Proposal

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Sirs and Madams:

The following is the County's package proposal for a final settlement of the current contract negotiations.

1. Wages:

   1997-98 - 2.5%

   1998-99 - 2.0%

   1999-00 - 2.0%

All wages will be retroactive to July 1, 1997 for all persons on the payroll as of the date that the Association ratifies the Agreement.

2. Per Diem Nurse Agreement:

Effective the date of ratification of the Agreement by the Association, the attached "Per Diem Nurse Agreement" will be implemented.

3. Compensatory Time:

Effective the date of ratification of the Agreement by the Association, the practice of allowing Registered Nurses to choose Compensatory Time as a means by which overtime, holiday time, summer hour time, lunch time or any other existing practice or procedure by which an employee may receive payment in addition to the normal weekly wage shall cease. All currently existing accumulations of compensatory time, regardless of source or nomenclature, shall be utilized by employees within the 12 months following the execution of an Agreement between the parties. If not utilized during this period the balances will be paid in cash.

4. <u>Holidays:</u>

Effective the date of ratification of the Agreement by the Association, the following Holidays shall be considered as "floating" rather than "set" holidays to be used during the year on dates mutually acceptable to the employee and his or her supervisor.

| | |
|---|---|
| Martin Luther King Jr.. Day | Columbus Day |
| Patriot's Day | Election Day |
| Good Friday | Veteran' Day |

5. <u>Jury Duty:</u>

As proposed by the Association.

The remaining issues, if any, currently on the table will be dropped.

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MICHAEL A. CONNORS

192 PAGES SUNDAY, JANUARY 31, 1999

# Ailing hospitals

## Cuts, mergers prescribed for revenue ills

By HENRY L. DAVIS
*News Medical Reporter*

The plan to end acute care at Our Lady of Victory Hospital coincided last week with the release of a new audit of New York State's hospital industry.

The state figures showed hospitals earned record profits in 1997 in every major metropolitan area but one — Western New York.

As one local executive put it, "our hospitals are having a quiet crisis."

The losses explain why the Catholic Health System decided to consolidate services at OLV in Lackawanna and Mercy Hospital in South Buffalo, a decision that disappointed employees and residents.

The losses in the audit also explain why other longtime community institutions are merging, laying off employees and changing what they do. Just last week Lockport Memorial Hospital went through another round of job cuts since December.

Before the new year, Kaleida Health stopped delivering babies at Buffalo General Hospital and concentrated maternity services at Millard Fillmore Suburban and Children's hospitals.

Despite the rosy picture state officials painted, this region's hospitals remain under huge financial pressure to cut costs quickly.

"If you think the 1997 numbers are bad, wait until you see the numbers for 1998," said William Pike, president of the Western New York Healthcare Association. "They're going to be worse."

What happened at OLV is only the start.

The Catholic Health System has reported it will next reorganize its northern suburban hospitals, including Kenmore Mercy and St. Joseph in Cheektowaga.

Kaleida Health, the largest health network in the region with Buffalo General, Millard Fillmore, Children's and DeGraff Memorial hospitals, has yet to announce the major elements of its plan to consolidate medical programs. The two hospitals in Batavia, one private and the other Catholic, are working out a controversial affiliation, raising fears about future availability of reproductive services that go against church stances.

And in Niagara Falls, residents turned back efforts to move acute care from the city's Niagara Falls Memorial Medical Center to Lewiston's Mount St. Mary's Hospital.

But officials warn that it is impossible to maintain two full-service hospitals much longer.

"At the same time that we're reducing expenses, we're seeing a decline in patients admitted to the hospital. It's a constant race to cut costs to keep up with falling revenue," said Angelo Calbone, president and chief executive officer of the Health System of Niagara.

Here's the problem: There's less demand

See Hospitals Page A10

MARK MULVILLE/Buffalo News

Pat Harris goes about her cleaning duties at Our Lady of Victory Hospital.

### Red ink

*Hospitals are not money-makers in this area*

| | |
|---|---|
| Western New York | $8.7 million loss |
| Long Island | $119.3 million profit |
| New York City | $337 million profit |
| Syracuse-area | $51 million profit |
| Rochester-area | $55 million profit |

SOURCE: *NYS Health Department*

**"If you think the 1997 numbers are bad, wait until you see the numbers for 1998. They're going to be even worse." William Pike, president of the Western New York Healthcare Association**

# lospitals: Expected cuts in Medicaid payments may only make situation worse

*Continued from Page A1*

the product that hospitals sell. tients don't have to stay in the spital as often or as long be- ıse of medical advances.

Meanwhile, HMOs and govern- ent programs, such as Medicare the elderly, have cut payments. As in any business, no safety t exists to save hospitals that 't find new ways to make more ney or to cut expenses.

Hospitals nationwide have sed their doors or eliminated vices. Hundreds of others have rged to get rid of duplicative inagement and support staff, d medical programs.

Like a storm sweeping across country, the fiercest gales in downsizing of the hospital in- stry have hit the Buffalo area.

"We have to downsize, other- e quality will suffer," said Pike. 'e have a health system now h too few employees but far re hospital beds than we need."

## or performance

The state Health Department eased the positive hospital data ew days before Gov. Pataki pro- sed large cuts in the state's re of Medicaid expenses. Med- id, the government health pro- m for the poor, constitutes a ge slice of hospital revenues.

"Clearly, this is unwise and un- essary. The cuts will have a dis- portionate impact in a city like falo, with its large population Medicaid patients and teaching spitals dependent on support m the program," said Daniel Sisto, president of the Healthcare Association of New York State.

The new audit reported the state's hospitals posted profits or surpluses of $739 million in 1997. That's up 42 percent from 1996.

The 1997 data, the most recent available, shows the first full year since the state stopped setting hospital charges and allowed hospitals to negotiate rates with insurers.

Sisto's group, which represents several hundred hospitals in New York, contends the state inflated hospital figures by factoring in endowment funds and tax subsidies.

In this region, it doesn't matter. Western New York performed poorly any way you look at it. Fifteen of 26 hospitals — information for three hospitals was not available — posted operating losses.

Niagara Falls Memorial Medical Center showed the worst situation — a $16.1 million loss on revenues of $48 million.

Even hospitals that made money, didn't make much. For the most part, operating profit margins hovered below 2 percent.

## Economic reasons

Hospitals here have survived with empty beds for years. It was health insurers and the government that finally forced the issue.

With so many hospitals in the region hungry for patients, HMOs have effectively played one against another to lower payments.

In this region, insurance premiums have sunk below the state average. Hospital executives see this as evidence the rates hospitals receive for services from health insurers do not reflect actual costs.

Congress in 1997 cut Medicare payments over five years, with the largest reductions coming in later years. Hospitals depend heavily on Medicare patients, the federal health program for the elderly.

Pike estimated hospitals here will receive $46 million less in Medicare payments in 1999 and $59 million less in 2000.

Now, Gov. Pataki wants to reduce Medicaid payments.

"We saw the cuts coming in programs like Medicare and Medicaid," said Dale St. Arnold, president and chief executive officer of the Catholic Health System. "What's happening with the economic forces is not going to stabilize. It's going to get worse."

The Catholic Health System last week decided to consolidate acute care at Mercy and concentrate other medical services OLV, including rehabilitation.

The move will result in lay offs and the transfer of workers to new positions.

The trouble for hospital administrators is that, for the most part, they have already made the easier cost cuts — positions in middle management, nursing, maintenance and support staff.

"Many aspects of medical care — an emergency room, for example — come with fixed expenses and levels of staffing that can't be reduced beyond a certain point," said Calhune.

Unless new sources of revenue are found, once that point is reached, he and others said hospitals can only reduce expenses by eliminating medical programs or consolidating with other hospitals.

## HMO relationships

Niagara Falls Memorial lost nearly $4 million in 1996 and is estimated to have lost $10 million in 1998. The hospital also is precariously close to the limit on a line of credit provided by the Daughters of Charity, the religious order that owns Mount St. Mary's.

It's not alone.

Other hospitals listed in the state report that lost money on operations in 1997 included Our Lady of Victory in Lackawanna, $4.9 million; Sisters, $5.7 million; Mercy, $2 million; Sheehan Memorial, $1.2 million, and DeGraff Memorial in North Tonawanda, $3.5 million.

These hospitals must find new revenue or cut costs, executives said. It's that simple, but not easily accomplished.

Calbone and others say hospitals can no longer raise prices to increase revenue. There's too much competition.

For Calbone in Niagara Falls, consolidation is no longer an option. Yet he argues that the two hospitals he oversees cannot remain the same and survive.

"In the past, every hospital could be all things to all people," he said. "This has been an emotional issue here. But the reality is that we can no longer support two traditional, full-service hospitals in the long-term anymore."

## Hospital check-up

*The 1997 financial report on area hospitals:*

| Who lost money | Loss on operations | Net patient revenues |
|---|---|---|
| Niagara Falls Memorial Medical Center | $16.1 million | $48.0 million |
| Sisters Hospital | 5.7 million | 92.6 million |
| Our Lady of Victory Hospital | 4.9 million | 43.3 million |
| DeGraff Memorial Hospital | 3.5 million | 34.2 million |
| Mercy Hospital | 2.0 million | 107.2 million |
| Kenmore Mercy Hospital | 1.7 million | 64.3 million |
| Sheehan Memorial Hospital | 1.2 million | 23.9 million |
| St. Joseph Hospital | 831,551 | 42.4 million |
| Westfield Memorial Hospital | 808,355 | 6.4 million |
| Tri-County Memorial Hospital | 744,849 | 11.3 million |
| Lake Shore Hospital | 537,458 | 23.1 million |
| Bertrand Chaffee Hospital | 467,080 | 10.9 million |
| Lockport Memorial Hospital | 399,052 | 34.5 million |
| Brooks Memorial Hospital | 389,451 | 25.1 million |
| Olean General Hospital | 267,574 | 44.3 million |

| Who made money | Operations surplus | Net patient revenues |
|---|---|---|
| Children's Hospital | $1.8 million | $92.2 million |
| Buffalo General Hospital | 1.4 million | 275.6 million |
| Erie County Medical Center | 1.3 million | 247.7 million |
| Medina Memorial Hospital | 954,850 | 22.2 million |
| Millard Fillmore Hospital | 816,000 | 241 million |
| Genesee Memorial Hospital | 475,412 | 24.7 million |
| WCA Hospital | 188,047 | 74.6 million |
| Wyoming County Hospital | 128,318 | 30.4 million |
| St. Jerome Hospital | 75,260 | 20.9 million |
| Inter-Community Memorial Hospital | 57,187 | 14.2 million |
| Jones Memorial Hospital | 19,908 | 20 million |

NOTE: Figures based on income or losses from operations and not from unrestricted net assets. Data unavailable for Cuba Memorial, Mount St. Mary's and Roswell Park Cancer Institute.

SOURCE: New York State Health Department

Buffalo News