



The Daily Briefing

News for Health Care Executives

Can a 'medical mall' replace a hospital?

Critics say the move will only pressure safety-net hospitals

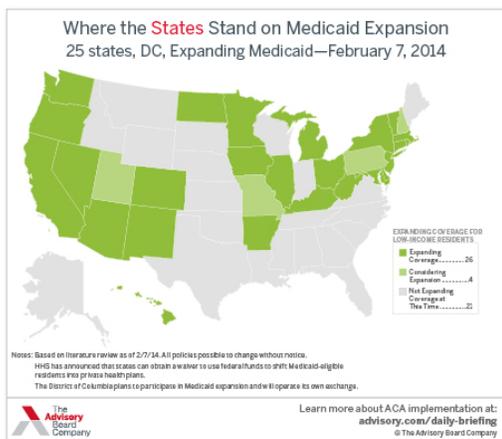
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Large health systems and developers are repurposing shuttered, New Jersey hospitals in an effort to give them second lives as private clinics—but some critics say the move could harm hospitals' bottom lines, Ronda Kaysen reports in the *New York Times*.

Twenty-six hospitals in New Jersey have closed—mostly in low-income, urban neighborhoods—in the past two decades, Kaysen writes. But several facilities have been reborn, such as a once-shuttered hospital in Paterson that has been transformed into **Barnert Medical Arts Complex**. The new building houses three surgical centers, a sleep center, a breast care center, a **Planned Parenthood** facility, a drug rehabilitation clinic, and a 54-bed subacute care facility.

Broken record? 2010 on track for most mass hospital layoffs

"This was a facility that essentially was empty—the community suffered," state Senator Bob Gordon (D) told Kaysen, adding that the developer "was able to transform this facility into one that better matched the needs of the community."



The developer, **Community Healthcare Associates** (CHA), bought the 300,000-square-foot building in 2008 in bankruptcy court and renovated it for \$25 million. Today, the property is 95% occupied and employs about 700 people.

"Our model is allowing for the migration of health care from inpatient to outpatient care... there are no inefficiencies. You don't have to have an operating room staffed with nurses and doctors if no patients are here," says CHA partner William Colgan.

CHA in 2012 also bought **Greenville Hospital** in Jersey City, and in 2013, purchased **Kessler Memorial Hospital** in Hammonton. Both facilities will reopen soon as medical complexes.

CHA's Stephen Kirby argues that medical malls provide "almost every service that this hospital used to provide," but critics say the new complexes do not substitute for the hospitals they have replaced.

"The mix of services is radically different" at a medical complex, according to **Boston University** health policy professor Alan Sager. "The services added might be more profitable, and if they're not profitable, they are probably going to close."

Moreover, these services are largely unavailable for uninsured patients, so nearby hospitals must absorb more uninsured patients while they lose paying patients to a medical complex, Kaysen writes.

"You make it increasingly hard for the safety-net hospitals that remain to survive, you could start a downward spiral," says David Knowlton, president of the **New Jersey Health Care Quality Institute**.

However, Kaysen notes that the state's number of uninsured will soon drop: About 440,000 residents of New Jersey are expected to gain health insurance through the state's health exchange, and another 250,000 residents will be eligible for Medicaid, according to a **Rutgers Center for State Health Policy** report.

Hospitals in states that nixed Medicaid expansion could get 'bailouts'

Still, the services medical complexes offer will likely be out-of-network for new beneficiaries—which may translate into higher out-of-pocket costs for patients, according to Knowlton (Kaysen, [*New York Times*](#), 3/4).
