

Public Policy Forum
Transitions — Death and
Rebirth of a Nonprofit
Presented by
Craig Duncan

April 1, 2005



Craig Duncan stepped down in January 2005 as President and Chief Executive Officer of Northeast Health, which combined the Eddy and Samaritan Hospital to form a comprehensive continuum of health care, supportive housing, and community services that reaches 15 counties and serves more than 19,000 people every year. On April 1, 2005, Craig spoke at a public policy forum at the Rockefeller Institute. The paper that follows is based on his talk. The Rockefeller Institute is proud to showcase Craig Duncan's creativity and leadership in the challenging world of nonprofit providers of health and human services. His career demonstrates how the best and brightest in this arena perform their challenging jobs. Duncan effectively describes the response of the Eddy to the closing of a financially distressed hospital in Cohoes, New York. As Duncan notes, "Hospital closure, voluntary or involuntary, offers an insight into the extraordinary business of nonprofit management and of the relationships that these institutions enjoy with their communities. The impassioned reaction of the community and of the hospital's stakeholders to potential closure provides a lesson to be embraced."

Duncan was a driving force in the creation of Northeast Health, integrating The Eddy not-for-profit network of senior services with neighboring Samaritan Hospital in Troy. He would further strengthen Northeast Health as a network in 1997 with the addition of Albany Memorial Hospital. He is also credited with bringing innovative care services to the region, from Alzheimer's care to tele-homecare. He is active in community and professional organizations including as a Governor's appointee to the New York State Life Care Council; the State Hospital Review and Planning Council; chair of the Iroquois Healthcare Alliance; and vice president of the Troy Redevelopment Foundation — a coalition of six leading not-for-profit organizations dedicated to aiding Troy's economy.

Craig Duncan:

The Eddy, a not-for-profit network of residential and community services for the elderly and disabled, was established in 1928 in Troy, New York, as a 19-bed nursing home. Today, the Eddy is a comprehensive continuum of health care, supportive housing, and community services that reaches 15 counties and serves more than 19,000 people every year...



In 1985, the Eddy operated as a subsidiary of Samaritan Hospital, a general acute hospital. In the early '80s the Eddy's board had convened a group of experts from throughout the United States to develop a strategic plan to position it for the future. The vision they crafted called for an integrated service continuum that would serve people in the community and, if successful, avoid the need for nursing home care. They envisioned a full continuum of residential health care, housing, and community services. This early evolution took the form of a new skilled nursing home, an adult home, geriatric day care, long-term home health care, a certified home health care agency, and a licensed care agency.

The Eddy's governance structure evolved with the Eddy being established as a nonprofit holding company with subsidiary operating corporations, all not-for-profit. This organizational strategy allowed rapid organizational growth with central policy direction, while maintaining direct day-to-day operating oversight by individual boards. At that time the Eddy's governance structure included six boards of directors.

The early to mid '80s saw the first closures of financially distressed hospitals throughout New York State. Generally, these hospitals were smaller, with outdated physical plants, and offered few specialized services. They were, however, viewed as essential service providers, especially by those needing emergency services.

New York State's health planning infrastructure encouraged local and regional health planning through the Health System's agencies across the state. The New York

State Department of Health's Hospital Review and Planning Council and the Public Health Council received recommendations as to establishment of providers and the institutional structure of the health care system. The various planning agencies worked closely with local communities in evaluating how best to provide continued access to quality acute care services. This often involved closure or relationships with other service providers.

Hospital closure, voluntary or involuntary, offers an insight into the extraordinary business of nonprofit management and of the relationships that these institutions enjoy with their communities. The impassioned reaction of the community and of the hospital's stakeholders to potential closure provides a lesson to be embraced.

Cohoes Memorial Hospital, which operated successfully for 87 years, faced closure in 1985. The hospital experienced low occupancy and outpatient use. The hospital also provided essential services and management to the Mary and Alice Ford Nursing Home, an 80-bed skilled nursing facility. Insolvent, in arrears in pension payments, and unable to pay creditors, and facing involuntary closure, the hospital board looked to reinvent the institution.

The hospital board, encouraged by the New York State Department of Health, looked to the Eddy to recommend a program of needed geriatric services that would serve the greater Capital Region and insure the financial viability of the hospital.

The Eddy viewed this as an opportunity consistent with their adopted vision. Extensive study of community need and exhaustive negotiations between the boards of the Cohoes Memorial Hospital and the Eddy gave rise to the Eddy Cohoes Rehabilitation facility. This newly configured campus would consist of an Acute Rehabilitation Hospital, an intense, short-term rehabilitation nursing home, and the physically attached Ford skilled nursing facility, all to serve a predominantly geriatric population.

The new organizational structure envisioned leasing the physical plant to the Eddy and creation of new operating corporations within the Eddy. The boards for the

operating entities would consist of a proscribed number of members from the original Cohoes Memorial Hospital sitting on the newly created operating boards and on the Eddy's board of directors.

The existing hospital would require a major capital commitment in renovations needed to accommodate the new program. The extent of the work would require that the hospital be closed before renovations could proceed.

The Cohoes Memorial Hospital filed Chapter 11 bankruptcy in March of 1986. Closure of the hospital and the process of the bankruptcy "take out" by the Eddy cleared the legal and financial path necessary for a "rebirth" of the institution.

This comprehensive list of the stakeholders involved in the closure, financing, and ultimate creation of The Eddy Cohoes Rehabilitation facility are worthy of note.

Boards of Directors

The boards of the Eddy, Cohoes Memorial Hospital, and Samaritan Hospital were intimately involved in articulating vision, strategy, and in negotiations. All required extensive time commitments. Fiduciary responsibility for all involved heightened concern for comprehensive due diligence review. Community, physician, employee, and creditor concerns affected board members on a personal level.

Patients

Hospitals often hold a very personal relationship for us all. Our feelings transcend the range of the human experience — the death of our parents, the birth of our children, and those interventions that bring us back together as friends and families. The loss of the emergency room upon hospital closure raised concerns of "where" we would get those services. Many thought timely access to those neighboring hospitals in Troy was compromised by having to wait as trains passed through the community.

Candlelight vigils were held and petitions were submitted protesting the closure of the emergency room. The closure of a hospital is a personal loss to many.

Employees

Cohoes Memorial Hospital was the city's largest employer. The professional mix of the new entity was to be dramatically different. Loss of jobs and pensions were a major concern. Keeping a viable workforce after the hospital's closure became public remained a major concern, although loyal employees remained until the hospital was closed. Fortunately, those who wished were provided employment opportunities at Samaritan Hospital and the Eddy. Employees were given credit for years worked at Cohoes Memorial upon transfer.

The creation of this new entity would have a significant impact upon the Eddy's management infrastructure. Operations, finance and accounting, human resources, and purchasing would be impacted.

Cohoes Memorial Hospital Auxillians

The hospital's auxiliary's membership consisted of over 100 men and women. They provided the "extras" beyond that affordable by the normal commerce of a voluntary hospital. Their time and effort was spent in providing direct services to the patients and the families of the hospital, in fund raising for needed clinical equipment, and in operating the hospital's snack bar. Most of the members had been personally involved with the hospital for decades. Closure of the hospital was deeply personal. Open communications with the membership proved essential throughout the process. The auxiliary remained active after the hospital closed. The snack bar remained open throughout the construction of the new Center. The auxiliary remained in place and continues to support the Center in providing services to the patients to this day.

Medical Staff

Physician practice patterns during the mid '80s were hospital centric. The hospital's closure would have a direct impact on the physicians financially as well as where and how they practiced. The medical staff was not supportive of any change in the purpose of the institution. Many were active in expressing public concern about the change. The hospital's closure was hastened by the early departure of the physicians.

Regional Providers

Creation of a “new competitor” in rehabilitation services was viewed with concern by those providing services throughout the region. Some initially lobbied against any new service, stating that those providing services were already meeting the public need. Ultimately, the collaboration of providers such as Sunnyview Rehabilitation Hospital in Schenectady and physicians as far away as Glens Falls in the creation of a new service intended for geriatric patients insured their support and the ultimate success of this new program.

Federal Agencies

Health and Human Services (HHS) — HHS was required to deem the new hospital an “exempt” unit, enabling the hospital to participate in the Medicare program while waiving certain cost ceilings. The department ultimately conferred the new geriatric rehabilitation hospital with a demonstration status. The status provided a corridor to serve the unique needs of an elderly population.

Pension Plan Guaranty Corporation (PPGC) — PPGC is a federal insurance program that exists to insure the integrity of existing pension plans. The bankruptcy process required merging the pension plans of the Cohoes Memorial Hospital with Samaritan's. This required exhaustive reviews by attorneys, actuaries, and accountants for completion.

Internal Revenue Service (IRS) — The IRS monitored retention of tax employee holdings as well as approval of the tax status of the new entity

New York State Agencies

New York State Department of Health — The New York State Department of Health, as well as their State Hospital Review and Planning and Public Health Councils, monitored the closure of the hospital, development of the new entity, and establishment and licensure of the new hospital.

New York State Attorney General — The Attorney General regulates nonprofit corporations. The office must review and approve the creation of new nonprofit corporations as well as the disposition of assets for those merging or going out of business. The Attorney General's office required extensive review of the disposition of donor-restricted funds.

The Capital Region

The Financial and Professional Communities — Cohoes Memorial Hospital owed significant debt at the time of their bankruptcy. A consortium of regional banks held mortgage debt. The outstanding debt was negotiated to a level that the new entity could bear with anticipated revenue and the new cost of reconstruction. The banks' forbearance ultimately supported the financial viability of the new Center.

The hospital's vendors, in excess of 120, all waited for settlement to satisfy their debts. Originally anticipating recovering 10 cents on a dollar, they would receive in excess of 70 cents on a dollar.

Insurance, both liability and property, remained a difficult issue to negotiate. Children born at the hospital retain the right to bring suit against the hospital until they reach majority (18 years of age). The Cohoes Memorial Corporation would remain exposed and potentially liable through 2004. Insurance was purchased to extend coverage.

The transition involved extensive use of accountants in due diligence and financial modeling. Attorneys with expertise in bankruptcy, not for profit law, pension law and general law represented both parties.

The Media — Both the written and electronic media harnessed the passion of the community. The closure was extremely well covered, though sensationalized. An open, honest dialogue helped to bring the media's understanding of both the events leading to the hospital's closure as well as an anticipation of the benefits of the program to come. An open, honest dialogue has insured an effective ongoing relationship with the media.

The Political Community — Closure of the Cohoes Memorial Hospital, with its loss of jobs and financial impact on the community, was of great concern to the political communities. Their understanding and support of the new Eddy Cohoes Rehabilitation Center's program was essential to its future success. Extensive effort was spent in communicating with state, county, and city representatives and in keeping them effectively informed throughout the process.

The Religious Community — The community served by the hospital was unique. During the mid '80s, the City of Cohoes enjoyed the highest concentration of people of French Canadian descent in the Northeast. The area also is the home of a large number of people of Polish and Italian heritage. The Catholic Church, with its various parishes, represented a large percentage of the population. The clergy shared the concerns of their parishioners. Communication with the clergy of all faiths proved essential in gaining both the understanding and support of the religious community and their constituencies.

Other Community Organizations — The financial impact of the hospital's closure with a loss of number employed, tax base, and impact on local business brought concerns by the School District, Chamber of Commerce, and active fraternal organizations such as the Rotary and the Elks. A well-articulated communications plan insured that they remained informed.



The Eddy Cohoes Rehabilitation Center is approaching twenty years of successful operation. It has served several thousand patients, predominantly those having suffered strokes and needing rehabilitation for hip replacement. It enjoys a reputation for quality services. It has set the standard for geriatric rehabilitation throughout the Capital Region.

The Center, not unlike Cohoes Memorial Hospital in the mid '80s, faces a difficult financial future. Changes in Medicare reimbursement bring with it the necessity to look toward, reinventing itself in this ever-changing world of medical care. The board, with management, is currently involved in that process.

The Eddy and Samaritan Hospital have continued to evolve. Northeast Health was formed in 1995 by the merger of Samaritan Hospital and the Eddy and joined by Albany



Memorial Hospital in 1997. The components of Northeast Health remain deeply rooted in the community. The hospitals — Albany Memorial and Samaritan — have been providing care for more than 120 and 100 years, respectively, while the Eddy network has been caring for the community for more than seven decades.

The lessons of the intricate role played by the nonprofit in the community, the vast network of stakeholders involved, and the need for empathy, understanding, and effective communication with that network will continue to serve Northeast Health in the years to come.