

## Appendix 7: ISSUES TO ADDRESS IN CLOSING A HOSPITAL

Issue	Description		
<b>Governance and Authority</b>	Determine who will oversee the closure process ( <i>the hospital's board, a special committee or task force?</i> ) and the scope of authority that group and management will have to make decisions related to the closing in terms of authorizing resolutions/restrictions/limitations.		
<b>Accreditation and Regulatory Requirements</b>	<p>Accreditation and regulatory issues associated with closing a hospital, include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Preparation of the CN</li> <li>• Notification of the State Health Department, NJHCFFA, and JCAHO</li> <li>• Providing required notification of termination for all healthcare licenses (e.g., pharmacy, lab, blood bank, DEA)</li> <li>• Notification of appropriate federal agencies (e.g., Department of Health and Human Services, Social Security Administration, CMS, Internal Revenue Services, Environmental Protection Agency)</li> <li>• Notification of appropriate State agencies (State Department of Licensing and Regulation, Worker's Compensation, Employment Security Bureau, Planning Commission)</li> </ul>		
<b>Communications with Key Constituencies</b>	<p>Given that hospitals have a multitude of constituencies, communication with these various groups and individuals throughout the closure process is critical. It is essential that the hospital identify the necessary communications resources, assign responsibility for communications, develop a consistent message regarding the reasons for and process of closure and provide ongoing updates and information to groups including, but not limited to those identified below</p> <table border="0"> <tr> <td> <ul style="list-style-type: none"> <li>• Board and other governing bodies</li> <li>• Vendors and suppliers</li> <li>• Medical staff</li> <li>• Licensing authorities</li> <li>• Employees</li> <li>• Payers</li> <li>• Patients/families</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>• Donors</li> <li>• Community organizations/neighbors</li> <li>• Volunteers/auxiliary</li> <li>• Elected officials</li> <li>• Lenders/bond trustees</li> <li>• Other providers</li> <li>• Ambulance companies</li> </ul> </td> </tr> </table>	<ul style="list-style-type: none"> <li>• Board and other governing bodies</li> <li>• Vendors and suppliers</li> <li>• Medical staff</li> <li>• Licensing authorities</li> <li>• Employees</li> <li>• Payers</li> <li>• Patients/families</li> </ul>	<ul style="list-style-type: none"> <li>• Donors</li> <li>• Community organizations/neighbors</li> <li>• Volunteers/auxiliary</li> <li>• Elected officials</li> <li>• Lenders/bond trustees</li> <li>• Other providers</li> <li>• Ambulance companies</li> </ul>
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Employees	<p>Employee-related issues that must be addressed in a hospital closure are the following:</p> <ul style="list-style-type: none"> <li>• Notification requirements including provisions in union contracts and the federal government's Worker Adjustment and Retraining Notification (WARN) Act, which specifies regulations regarding notification of the termination of employment. This act entails notifying both employers and local governments when mass layoffs occur. The specific regulations include provisions regarding the timeframe for notice depending on the size of an organization.</li> <li>• Identification and settlement of vacation, termination, sick leave, early retirement, outplacement, life insurance and tuition reimbursement benefits due to employees</li> <li>• Determination of prior liabilities related to Worker's Compensation, EEO, arbitration awards, 401K, etc.</li> <li>• Notification for Social Security withdrawal</li> <li>• Termination of 401K plan, including notification to employees and payment of match</li> <li>• COBRA eligibility information and benefits</li> <li>• Identification and negotiation/settlement of special employment contracts</li> <li>• Employee reduction plan to coincide with the ramping down/cessation of operations</li> </ul>
Financial	<p>While the cost of closing a hospital will vary from one hospital to another, there are typically a number of obligations that must be met, including:</p> <ul style="list-style-type: none"> <li>• Vendor or trade debt</li> <li>• Commercial lease financing</li> <li>• Corporate debt</li> <li>• Tax exempt bonds or leases</li> <li>• Wages, pensions and benefits</li> <li>• Malpractice and other insurance</li> <li>• Taxes</li> </ul> <p>In addition to these obligations, it is important to note that equipment leases generally include penalties for early cancellation. If the hospital has land and building leases, these also generally have early cancellation penalties. Likewise, vendor service agreements often have penalties for early cancellation, as do physician contracts.</p>
Medical Staff	<p>Some of the major medical staff issues resulting from a hospital's closure include:</p> <ul style="list-style-type: none"> <li>• Determination of assistance to be provided to physicians (e.g., facilitate expedited credentialing at other facilities)</li> <li>• Physician contract review, notification and settlement</li> <li>• Continuing Medical Education (CME) credit reporting</li> <li>• Specialist coverage (e.g., anesthesia, E.R., radiology, pathology, etc.) through transition/closure</li> <li>• Medical records completion</li> </ul>

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Legal	<p>Legal issues surrounding the closure of a hospital permeate virtually all of the considerations in closing a hospital. Other legal considerations associated with the closing of a hospital include:</p> <ul style="list-style-type: none"> <li>• Loan agreements, supply contracts, deeds, contracts and option to purchase land, leases and sub-leases, contracts with related organizations, guarantees, installment sales agreements, third-party managed care organizations, physician groups, HMOs, PPOs</li> <li>• Settlement of contracts, including physician contracts, loan agreements, supply contracts, service contracts, deeds, leases (real estate and equipment) guarantees, installment sales agreements, bond documents</li> <li>• Litigation and risk exposure, including insurance claims, threatened proceedings, consent decrees, fraud and abuse claims, etc.</li> </ul>
Patients	<p>Issues affecting patients and their families relate primarily to redirecting patients to other facilities and providers once the hospital ceases operations. Key patient- and family-related components of a hospital's closure plans should include, for example:</p> <ul style="list-style-type: none"> <li>• A schedule for patient clinical care wind-down, based on State Department of Health and Senior Services requirements and financial constraints</li> <li>• A plan for phase-out of acute care inpatient services, ED operations, ambulatory care services and transfer of remaining patients</li> <li>• A patient/family communication plan</li> </ul>
Operations	<p>Operational considerations are a key aspect, as the hospital must continue to operate as it goes through the process of ceasing operations. Some of the operational considerations related to closing a hospital include:</p> <ul style="list-style-type: none"> <li>• Security plan for asset preservation</li> <li>• Facility upkeep</li> <li>• Supply control</li> <li>• Handling of confidential material, including retention and retrieval of medical records, pharmacy records, employee records, legal documents, financial records, x-rays, medical staff records, etc.</li> </ul>
Asset Disposition	<p>Examples of assets at the hospital that will need to be disposed of when closing include:</p> <ul style="list-style-type: none"> <li>• Real estate – can be sold and the proceeds used to meet some of the hospital's financial obligations.</li> <li>• Owned equipment – can be offered for sale to physicians or other hospitals. Alternatively, the hospital can solicit bids from a firm to purchase the equipment in its entirety.</li> <li>• Supplies and drugs – explore the potential for returns to vendors, offer to sell them to other hospitals, clinics, or physicians, and/or arrange for overseas donation of certain items.</li> </ul>

