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A Crisis of Affordable Health Care at Memorial

Report reveals how hospital management affects health care access, cost.

ATLANTA – Georgia Watch today released a detailed financial analysis of Savannah's Memorial University Medical Center, which serves approximately 35 counties and is one of Georgia's four Level 1 trauma centers.

“A Crisis of Affordable Healthcare: Memorial University Medical Center” describes how the tax-exempt nonprofit hospital has reported dramatic swings in revenue since 2000 and has operated with low levels of cash reserves, one example of which is days cash on hand.

In 2006, Memorial maintained an average of 19 days of cash on hand – down from 25 days of cash on hand in 2005. By comparison, the Medical Center of Central Georgia (Macon) held approximately 260 days, Northside Hospital (Atlanta) held about 142 days, Phoebe Putney Memorial Hospital (Albany) held about 254, and Henry Medical Center (Stockbridge) held approximately 360 days cash on hand in 2005.

Memorial reported severe financial shortfalls for Fiscal Years 2006 and 2007, which have resulted in layoffs and reduced benefits to the community. In April 2008, Memorial CEO Bob Colvin was fired amid reports that the hospital would post a deficit of more than \$35 million in 2007. Memorial reported an \$843,810 surplus for Fiscal Year 2006 – compared to an over \$20 million surplus for Fiscal Year 2005.

While providing the lion's share of indigent care in southeast Georgia as the region's primary safety net hospital, Memorial University Medical Center also charged uninsured patients significantly higher costs for services than average payments received from most third party payers, such as private insurance, Medicare and Medicaid.

Report findings include:

- A 279 percent overall price mark-up – from approximately \$390,645,400 in costs to \$1,088,103,757 in patient charges;
- A average 604 percent mark-up in drug charges to patients;
- Laboratory tests were charged 448 percent over cost for patients;
- An average 61 percent discount to private insurers.

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“Nonprofit management impacts not only a patient’s access to care, but also the community as a whole,” said Georgia Watch executive director Allison Wall. **“Approximately half of all Americans who file for bankruptcy do so because of medical bills.”**

In 2006, approximately 45,000 citizens were medically uninsured in Chatham County. The median household income in 2007 was \$39,910 – less than the state average (\$46,832) and the national average (\$48,451) for the same year. On average, Georgians spend \$4,891 a year on health care at hospitals and doctor’s offices.

Chief among Georgia Watch’s policy recommendations are:

Further development of infrastructure of statewide trauma network: The state should work to link all ambulance services to specialty services by regionalizing the statewide trauma network, identifying areas where trauma care is lacking, and working with hospitals in those areas to bolster trauma care offerings.

Affordability: Charges to patients should be fair and clearly explained at the time of admission to the hospital. Cost should be based on a sliding scale fee system that takes into account patients’ ability to pay. Tax-exempt nonprofit hospitals should employ a uniform system of screening patients for eligibility in medical assistance programs.

Transparency: State lawmakers should enact definitions for the terms “indigent care,” “charity care” and “bad debt” that are based on cost instead of marked-up charges and inflated hospital pricing schedules.

The Georgia Watch report, **“A Crisis of Affordable Healthcare: Memorial University Medical Center,”** is the fourth report in a series that has also included Northside Hospital in Atlanta and Phoebe Putney Memorial Hospital in Albany. The research and analysis is based on figures reported by the hospital to the IRS and the US Centers for Medicaid and Medicare Services.

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“A Crisis of Affordable Health Care: Northside Hospital” can found at www.georgiawatch.org

Founded in 2002, Georgia Watch is a nonprofit, nonpartisan 501-(c)(3) watchdog group focusing on consumer education and research in the areas of health care, insurance, identity theft and personal finance.