



## BURNING QUESTION

# CAN GRADY HOSPITAL BE SAVED?

By Chandra R. Thomas

### What's the problem?

Grady, which opened its doors in 1892, has struggled to pay the bills for as long as most of us can remember, but its cries for help have reached new levels as the state's largest public hospital contends with massive funding shortfalls.

**How much money are we talking about?** Grady, which has an operating budget of \$703 million, has reported financial losses for seven years, including a record \$40 million in 2002, and is currently hemorrhaging about \$3 million a month. The hospital is \$60 million in debt to Morehouse and Emory medical schools and needs at least \$200 million for renovation and equipment. It is projected to run out of cash by year's end. "Grady is now in a crisis stage," explains Timothy Jefferson, acting CEO prior to the arrival of current CEO, Otis L. Story

Sr., in May. "Over the last 10 years we have been able to get by—by simply not paying vendors, not paying staff, not keeping up the facilities—and it's finally caught up with us."

**Are staffing cuts the answer?** In 2004, the hospital laid off 226 nonmedical employees, saving about \$8.5 million a year. "We've spent years cutting the fat, but eventually you get to the point where you're cutting the bone," says Jefferson.

Earlier this year—based on advice from New York consulting firm Alvarez & Marsal, whose \$350,000 per month contract was terminated after Story's arrival—Grady Health System began offering early retirement buyouts to senior employees ages 55 and older. More than 400 of the 562 eligible employees accepted the offer. But Story disapproves of the tactic, not-

ing that the departures have cost the system many of its most experienced employees. More than 100 early retirees have been asked to stay until someone can be found to do their jobs.

### If services were cut, who would be affected?

To lower expenses, reductions in services ranging from oral surgery and dental care to pediatric surgery have been suggested. The ripple caused by those cuts would be felt across the state, particularly among the underprivileged. Grady is the state's largest recipient of federal funds earmarked for the indigent, but the amount of uncompensated care in Georgia rose from \$777 million in 2006 to \$974 million this year, while federal funding remained flat.

The poor wouldn't be the only ones affected. Grady provides 900,000 patient visits a year, and it's unlikely that other hospitals would have the resources to handle the influx of patients redirected from Grady. And don't forget: Grady has the region's only Level One Trauma Center, houses the only poison control center and one of only two burn units in the state, and trains one out of four Georgia doctors.

### Who, besides the federal government, funds Grady?

Although the hospital serves tens of thousands from around the state, only two metro-area counties contribute to its budget; Fulton pays about \$84 million a year,

DeKalb chips in \$21 million. About 58 percent of Grady's overall funding comes from Medicaid and Medicare, 17 percent from Fulton and DeKalb, and 25 percent from other sources, including private insurance.

**What's the community doing to help?** The Metro Atlanta Chamber of Commerce assembled some of the business community's power players for the Greater Grady Task Force. The group, cochaired by Georgia-Pacific chairman emeritus A.D. "Pete" Correll and H.J. Russell & Co. CEO Michael Russell, also includes metro chamber president Sam Williams and Cousins Properties CEO Thomas Bell. "We're bringing business savvy and leadership to the table to explore ways to better maintain what we feel is an important asset to the community," says Russell.

One of the group's priorities is changing the structure of Grady's board of directors, which task force members say is outdated and limiting. Several options are being considered, including the creation of a new nonprofit entity that would acquire the decision-making power currently held by the 10-member authority.

**What's the worst that could happen?** "We hope it would never get to a point where we'd have to close its doors," says Jefferson. "We just need Georgia to recognize the enormous impact Grady has on this state and make sure it is a sustained institution." ★