

History of Sheehan Health Network:

Sheehan Health Network (SHN) was a voluntary not for profit hospital that served seven counties of Western New York. It was originally established in 1884 by the Sisters of Charity as “Emergency Hospital”. Located on Pine Street, Emergency Hospital provided an array of health care services including trauma and ambulance transport. The hospital was taken over by the Diocese of Buffalo in 1954 and was privately owned at the time of its closing.

The hospital changed its name to Sheehan Memorial Emergency Hospital (SMEH) in 1977 after receiving a donation from Paul V. Sheehan. Two years later, in 1979, SMEH opened a 136 bed facility on Michigan Avenue, Buffalo. Beginning in 1989 SMEH expanded into chemical dependency services, opening a comprehensive drug-treatment program.

In response to the 2006 recommendation by the Commission on Healthcare Facilities in the 21<sup>st</sup> Century as well as the changing needs of the community, SMEH downsized to 50 hospital beds, including 30 chemical dependence rehabilitation beds, 10 chemical dependence detoxification beds and 10 medical surgical beds. In 2007, SMEH changed its name to Sheehan Health Network (SHN).

At the time of its closing, SHN employed 147 staff providing primary care, laboratory and diagnostic services, substance abuse treatment and disease management.

Community served by Sheehan Health Network:

SHN served the seven counties that comprise Western New York including, Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara and Wyoming. However, most of SHN’s services were utilized by the immediate neighborhoods, especially the Masten Park section of East Buffalo. While there is no specific population breakdown for East Buffalo or Masten Park, the total population of the City of Buffalo as reported by the 2010 Census, is 261,310. Race ethnicity makeup of the city is 50% White, 37% Black, 10% Latino and 3% Asian. Census bureau data also shows that the median household income in Buffalo is \$30,043 and 27% of its population is living below the federal poverty level. Buffalo’s unemployment rate is 9%.

Factors that Led to the Closure of Sheehan Health Network

SHN filed for bankruptcy March 2003 and again in March 2004. Even with substantial assistance from the State, the hospital was unable to recover financially and continued to run at a deficit until its closing June 1, 2012. As an example, SHN incurred a loss of \$1,182,000 in 2008 and \$1,652,000 in 2009.

SHN’s debt and ongoing operational losses compromised patient safety as well as basic hospital operations. SHN was in jeopardy of having its fuel delivery cancelled due to nonpayment and

was having problems meeting payroll. From January 2005 through June 2011, five New York State Department of Health (DOH) investigations uncovered enough deficiencies to warrant 38 citations. In addition, a Title 18 Non-Accredited Hospital Recertification survey was conducted in January 2012, which found that SHN did not carry out the functions required to effectively conduct the operation of the hospital.

Contributing to the hospital's deteriorating financial condition was declining patient activity. Only a small percentage of persons needing hospital care from the catchment communities chose to go to SHN. Inpatient volume declined from a high of 1,520 in 2008 to a low of 1,175 in 2011, or 33 percent. According to the Statewide Planning and Research Cooperative System data, SHN had a market share of 1.6 percent of the zip codes that made up 50 percent of its market and only 1.1 percent of the zip codes that made up 80 percent of its market.

Due to its financial circumstances, on March 24, 2012, SHN's Board of Directors voted to close the facility and submitted a closure plan to DOH April 3, 2012.

#### Role of The New York State Department of Health

The priority of the DOH has been and continues to be the welfare of the communities in the seven Western NY Counties served by SHN. This meant working with SHN for as long as it appeared viable and ensuring adequate alternative resources when it appeared SHN would close. In 2006 through 2008 the Department issued 2 grants to SHN for a total of \$7,184,484 for reorganizing their services, construction costs and debt assistance. In addition, \$77,000 was granted to SHN in May 2012, to meet payroll.

Because patient activity had declined to such a low level, it was determined that the service void created by SHN's closing would be minimal and existing resources in the immediate Buffalo area were adequate to meet the community's needs. DOH ensured the proper management of patient medical records including identifying and paying for a vendor to store the files. DOH worked collaboratively with the NYS Office of Alcoholism and Substance Abuse services to ensure a coordinated transition during the closure process.

#### Next Steps

DOH will monitor inpatient and outpatient health care utilization patterns in Buffalo and the Western region of the state to ensure the ongoing adequacy of resources. This will include collecting and evaluating activity data and bed occupancy levels as well as working closely with providers and consumer advocates. DOH will also continue to oversee the proper handling and management of patient medical records.