

## Detroit-area hospital shake-up fueled by drive for profit

By Charles Bogle  
22 May 2007

Hospital systems in the Metro Detroit, Michigan, area have recently announced plans to construct two new hospitals in one of the wealthier counties in the United States and the buyout of one of the few remaining hospitals in Detroit proper. This announcement must be read within the context of a market-driven healthcare system that places profits before the jobs, well-being, and very lives of working and poor people in Detroit.

According to a May 9 article in the *Detroit Free Press* by Patricia Anstett (“Profound changes shake up hospitals”), the Henry Ford Health Systems—one of seven, soon to be six, remaining health systems in Metro Detroit—will construct a \$300 million, 300-bed hospital in West Bloomfield, while St. John Health is building a \$224 million, 200-bed hospital in Novi. At the same time, the Barbara Ann Karmanos Cancer Institute has signed a letter of intent to purchase St. John Detroit Riverview Hospital with the purpose of transforming it to a cancer clinic, leaving the area between Detroit’s Midtown and far east side without a hospital.

Arguments for hospital systems constructing suburban hospitals and buying community hospitals are grounded in a belief in the benefits of a competitive market. George Fitzgerald, president of Oakwood Healthcare, Inc., told the *Free Press* he believes that a few, larger healthcare systems, as opposed to many smaller community hospitals “*may*” (emphasis added) enable employers and insurance companies to better negotiate discounts. He also believes that the large amount of capital available to healthcare systems will result in “more efficient, better-performing facilities”; “the best should be rewarded in a competitive market,” Fitzgerald concludes. Bob Riney, CEO of Henry Ford Health Systems, admits that “competition may hurt other hospitals, but that’s good for consumers who increasingly are educated and demand good care.”

Riney might have added that the competition is for profits, as evidenced by the health systems’ efforts to change current Michigan laws. Ansett reports that these systems are presently attempting to “relax Michigan laws, known as certificate of need (CON) regulations,” which have traditionally based determinations for hospital construction and equipment on “a population formula in order to control spending.” To change or bypass these regulations, as the health systems are attempting to do, “would harm the financial stability and viability of hospitals that have long

served Detroit and older suburbs,” stated Larry Horwitz, president of the Economic Alliance of Michigan, also quoted in the *Free Press*. T.J. Bucholz, spokesman for the Michigan Department of Community Health, concludes that without the present Michigan CON regulations, “health care would look very different in Michigan. It would be driven solely for profit and not for people.”

Another means of increasing profits is to focus on more expensive procedures; and in turning St. John Detroit Riverview Hospital into a cancer treatment facility, the Barbara Ann Karmanos Cancer Institute will be doing just that. Cancer procedures such as chemotherapy, radiation and reconstructive surgery are extremely expensive, as is lab work, which is often done several times a week in cancer cases.

A third profit-enhancing consequence of this purchase will be to shift the burden of providing less-remunerative healthcare services to the remaining, overworked Detroit healthcare facilities. The emergency, psychiatric and obstetric services once provided by St. John Detroit Riverview, all of which are labor-intensive, low-profit components of healthcare, must now be handled by the five remaining Detroit hospitals. Ben Carter, CEO of the Detroit Medical Center, states that “our psychiatric intervention program is swamped already,” adding that “the Detroit area already has a shortage of mental health beds.” Furthermore, the emergency departments at Detroit Receiving and Henry Ford hospitals, already busy, will be forced to care for the 30,000 emergency patients that Riverview annually handled. (see “Detroit Riverview Hospital to close on 1,500 workers”)

A final, profit-enhancing consequence of this announcement is a reduction in labor costs. At present, St. John Detroit Riverview Hospital employs 1,511 workers who mainly reside in Detroit. Of this number of positions, only 400 will remain once the Cancer Institute opens on June 30, 2007.

Of course, these profits come at a cost, and in Detroit, this cost will be borne by the uninsured and working poor. The 400 remaining positions at St. John Detroit Riverview Hospital will be filled by nurses and other healthcare specialists, which means that 1,100 more Detroiters, who were already working at lower-pay positions (relative to their professional counterparts), will now be without a job. The takeover of Riverview Hospital will also result in a

---

further decline in healthcare facilities at a time when the number of uninsured and poor citizens is increasing. In 1937, Detroit had 24 hospitals; with the loss of Riverview Hospital, Detroit will be left with only 5 to care for its larger population of uninsured and poorly insured patients, compared to suburban areas. This population will increase even more if the plan to cut funds for Medicaid providers by 6 percent, presently being considered by Michigan Democratic Governor Jennifer Granholm, is turned into law.

This is not to say that the suburban West Bloomfield and Novi residents are somehow less worthy of quality, affordable healthcare than their Detroit counterparts. Nor should the metro Detroit health systems' announcement be understood as another instance of favoring the suburbs over the city. Many of the Detroit suburbs are not nearly so well off as West Bloomfield and Novi. According to the 2000

census, West Bloomfield's per capita income is \$91,661. Waterford, on the other hand, has a per capita income of \$27,432, while Riverview, where construction of the new cancer institute will result in the loss of jobs and healthcare for area residents, has a per capita income of \$25,460 (2000 census).

As these numbers clearly indicate, the Metro Detroit health systems are making health provider decisions based solely on profits, with devastating consequences for the health of area residents, particularly in the city of Detroit. Furthermore, with the continually worsening economic climate in Michigan and the recently announced sale of Chrysler to the private equity firm Cerberus, which will result in more job cuts and a further loss of healthcare benefits, even the wealthier, better-insured West Bloomfield and Novi residents face the threat of job and healthcare benefit losses.