

# Cicero Consulting Associates

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February 2, 2018

Mr. Kenneth Glindmyer, BFA  
Bureau of Financial Analysis  
NEW YORK STATE DEPARTMENT OF HEALTH  
Corning Tower, Room 1882  
Empire State Plaza  
Albany, New York 12237

RE: **MOHAWK VALLEY HEALTH SYSTEM**  
**PROJECT NO. 172305-C**  
**(Oneida County)**  
**Construct a new 373-bed replacement hospital on a 25-acre parcel in Utica**  
**ONEIDA COUNTY TRANSFORMATION GRANT-FUNDED PROJECT**

Dear Mr. Glindmyer,

On behalf of our client, Mohawk Valley Health System (MVHS), we are responding to your January 30, 2018 request for additional information for the project referenced above. Our responses are as follows:

1. **Please provide the latest financial statements that are within 6-months of the April 2018 PHHPC agenda meeting. Provide an explanation for any net operating losses, negative net assets, or negative working capital for both Faxton-St Luke's and St. Elizabeth's and indicate what the hospitals are doing to better their current financial position.**

### **RESPONSE:**

Please refer to **Attachment No. 1** for the December 2017 internal financial statement for Mohawk Valley Health System, including both St. Elizabeth Medical Center (SEMC) and Faxton-St. Luke's Healthcare St. Luke's Division (St. Luke's).


In 2017, St. Elizabeth experienced a net loss from operations of about \$3.4 million, and St. Luke's experienced a net loss from operations of about \$1.9 million. Per the applicant, these losses were mainly due to lower-than-projected volumes, mainly in outpatient surgery and the cardiac catheterization laboratory. In 2017, MVHS also needed to use a higher amount of medical specialists and agency staffing in other areas such as trauma, ICU, emergency, urgent care, orthopedic surgery and pediatric hospitalists, as well as for anesthesia services.

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In order to reduce this deficit, MVHS has been working on a recruitment strategy for providers to strengthen the medical staff. The applicant hired two (2) general surgeons and an orthopedic surgeon. In addition, MVHS has brought in other specialists over the last 14 months, and the Hospital is working with them to establish their practices. MVHS anticipates favorable financial results from these services in 2018. In addition, MVHS has contracted with Prism Consulting Group (Prism), a nation-wide consulting firm that provides healthcare consulting services in a variety of functional practice areas. The applicant is working with Prism to implement an inpatient clinical documentation improvement program, as well as a labor productivity monitoring system. These combined efforts are expected to produce an improvement to a break-even operating margin in 2018. Lastly, the applicant is exploring opportunities for clinical consolidation prior to moving into the new acute care facility that would bring operating and clinical efficiencies to MVHS.

It should be noted that both St. Elizabeth's and St. Luke's had positive net assets and positive working capital in 2017, per the December 2017 financial statement.

Thank you for your consideration in this matter.

Sincerely,  
  
Frank M. Cisero

cc: Ms. Sharon A. Palmer, MSBA, Assistant Vice President, Facilities Services, MVHS