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Doctors, St. Joseph's tangle over dialysis centers

State is expected to decide this year

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By James T. Mulder
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A doctors' group and St. Joseph's Hospital Health Center are battling over plans to expand kidney dialysis services in Liverpool.

Nephrology Associates of Syracuse, the area's largest practice of kidney specialists, is seeking state approval to build a 16-station dialysis center at 1304 Buckley Road. Dialysis is a life-saving treatment for patients with kidney failure. A machine does the kidney's job of removing impurities from the blood.

St. Joseph's, the area's biggest dialysis provider, is fighting the proposal. It already operates a dialysis center eight miles away on Route 57. To protect its turf, the hospital is asking the state to let it double the size of that center and to reject the doctors' proposal.

The hospital sees the competing proposal as a major threat because the doctors' group cares for about 65 percent of patients who use St. Joe's dialysis centers. The hospital fears the proposed doctor-owned facility would siphon patients and millions of dollars in revenue from its dialysis clinics, according to Mary Brown, a hospital vice president.

The doctors' group contends there is room for both clinics in light of projections that suggest demand for dialysis will surge dramatically as baby boomers age and develop kidney disease.

The dust-up over dialysis is the latest example of the growing competition between hospitals and doctors seeking to provide services once offered exclusively by hospitals. In recent years, orthopedic and eye doctors have opened free-standing surgery centers, taking business away from hospitals.

Hospitals traditionally have used these profitable services to offset losses they incur providing money-losing services such as emergency medicine and charity care to indigent patients.

"It's an economic battle," said George Chapman, a Syracuse health-care consultant. "If there's money to be made on outpatient dialysis, all that actually does for the hospital is counterbalance the huge loss they take when these people are admitted and they are very sick, losing limbs and they have heart problems and kidney problems."

Outpatient dialysis can be "enormously profitable," said Brown, of St. Joe's.

Medicare, the federal health insurance program, pays the bill for most dialysis regardless of the patient's age. Outpatient dialysis cost Medicare \$6.35 billion in 2003, according to the U.S. Renal Data System. When doctor payments, lab fees and other related expenses are added, the total Medicare tab for dialysis patients was nearly \$15 billion.

Medicare spent an average of \$62,767 per dialysis patient that year.

Costs are high because caring for these patients is complex and time consuming.

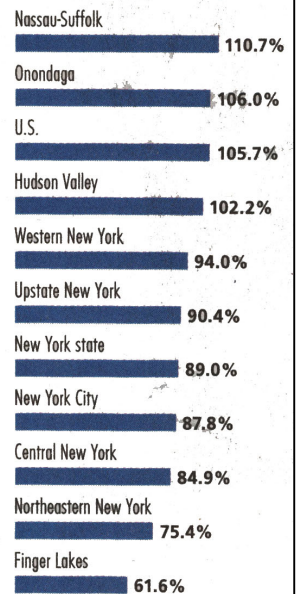
The typical patient goes for dialysis three times a week and each session lasts about four hours. The patient's blood is pumped through tubes into a machine, which cleans it and returns it to the body.

"You have to essentially rearrange your whole life both the patient and their family," said Dr. Richard Kopecky, one of the partners of Nephrology Associates.

Meeting the need for dialysis

Statistics compiled by the Central New York Health Systems Agency show how well or poorly patients' needs for dialysis are being met. While Onondaga County is able to more than meet the need, Central New York as a whole does not.

PERCENTAGE OF NEED BEING MET BY DIALYSIS CENTERS



Source: Central New York Health Systems Agency

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"We believe the data shows there is a large wave of patients coming in the next five to 10 years."

— Dr. Richard Kopecky,
Nephrology Associates

His group wants to build the dialysis center in the same Buckley Road building where it recently moved its practice. That building, formerly occupied by Niagara Mohawk Power Corp. and O'Brien & Gere, is owned by VIP Structures. VIP renovated the three-story building and is transforming it into a medical center geared to serve the growing number of Central New Yorkers with kidney disease. People with kidney disease often need diabetes care, radiology and many other medical services.

"A lot of our patients are elderly, a lot of them are infirm and traveling is difficult, especially in the winter-time," Kopecky said. "We'd like to make it more convenient for patients and try to get all these services under one roof."

More than 300,000 people nationwide are on dialysis. In Central New York, there are 920 dialysis patients, 522 of them in Onondaga County, according to the Central New York Health Systems Agency.

There are 123 dialysis stations in Onondaga County, 63 of them operated by St. Joe's. Nephrology Associates has a 30-station center at 910 Erie Blvd. E., Syracuse. University Hospital also has a 30-station dialysis center downtown.

State Health Department formulas show the number of dialysis stations is more than enough to serve current needs in Onondaga County. But doctors and hospital officials say not enough of the stations are in the suburbs.

While St. Joe's could serve 25 more patients at its 30-station James Street center in Syracuse, there's a waiting list at its 10-station center in Liverpool.

"The suburbs are more popular sites," said Brown, of St. Joe's.

The state Health Department has indicated Onondaga County will need 16 more stations to meet growing demand over the next three to five years.

St. Joe's is asking the state to let it add 11 stations in Liverpool and five to its center in Camillus.

The doctors, however, believe the state may be underestimating future need. Some national projections estimate the number of people on dialysis could double by the year 2010. A surge in obesity, diabetes and high blood pressure all of which cause kidney disease are driving demand for dialysis.

"We believe the data shows there is a large wave of patients coming in the next five to 10 years," Kopecky said.

His group originally proposed building a 24-station center in Liverpool, but reduced it to 16 on the advice of the state.

The doctors attempted to strike a compromise with St. Joe's by agreeing to limit the size of their proposed Liverpool center to 10 stations if St. Joe's would do the same. But the hospital rejected that idea.

In documents, St. Joe's says the doctors' proposed center is too close to St. Joe's Liverpool and downtown centers.

The hospital estimated the doctors' original 24-station proposal would result in a loss to St. Joe's of 115 patients and annual revenue of \$3.3 million. The hospital said such a loss would jeopardize the financial health of its dialysis program and undermine its ability to provide vital, but unprofitable, services to the community.

The Central New York Health Systems Agency, a local health planning group, is reviewing the proposals and expects to make a recommendation to the Health Department next month. The Health Department has the final say and is expected to act on the applications by late summer.

St. Joe's and the doctors have talked in recent years about jointly developing a dialysis center in Liverpool, but those discussions were fruitless.

Joint ventures between non-profit hospitals and for-profit physician groups are hard to pull off because of thorny ownership, tax and operational issues, according to Tom Dennison, a health-care management professor at Syracuse University.

"Hospitals and physicians don't have a good track record of sharing well," he said.