



FULTON COUNTY TAXPAYERS FOUNDATION

501©(3) Non-Profit Advocate of Lower Property Taxes in Atlanta/Fulton

August 2007

Saving Grady!

“We believe the situation at Grady is critical and is going to require massive intervention and reorganization to correct – but it can be done. Grady’s abilities and capacity to continue to carry out its mission have reached a crisis point and unless immediately and strategically addressed, Grady will close its doors.”

According to the recent report of the Grady consultants, Alvarez & Marsal, Inc., “Grady has a cash short-fall for 2007 that is projected at approximately \$120 million, with key supplies presently obtained on a COD basis.” Both the recent reports of the Grady consultants as well as the Greater Grady Task Force are to be commended for their outstanding work. The Fulton County Taxpayers Foundation is equally concerned because the Fulton County taxpayers currently contribute \$80,345,000 annually (among the highest line item in the Fulton County General Fund Budget), with DeKalb taxpayers contributing \$22,298,237 annually.

As a former member of the Grady Board of Trustees (1996-1999), I felt then – and I feel now – that the State of Georgia should play a vital role in any Grady turn-around. Here is why:

1. The Impact Of Grady Closing On The Class A Hospitals in Atlanta: The State involvement in a Grady turn-around would prevent a “patient tsunami” for other local hospitals which would become financially overwhelmed. These hospitals, such as Crawford Long, Northside, Piedmont, St. Joseph, etc.

June 25th Report of the Greater Grady Task Force
Metro Atlanta Chamber of Commerce.

would be legally required to treat the uninsured and underinsured patients who currently go to Grady.

2. The Impact of Grady Closing On The Physicians In Training: Grady trains 25% of all physicians in Georgia. The closure of Grady would have severe consequences on the future physician availability in the State.

3. The Impact of Grady Closing On The Indigent & Uninsured: Grady treats 30,000 in-patients and nearly 1 million out-patient visits annually, patients from all parts of Georgia. Without Grady, according to the Greater Grady Task Force, “caring for the indigent population alone would put an overwhelming strain on hospitals throughout Metro Atlanta, particularly their emergency services.”

4. The Impact of Grady’s Closing On Statewide Patients In Need: Grady’s Burn Clinic, Cancer Research, Infectious Disease Program (HIV), Neonatal Clinic, and Trauma Center treat patients statewide. Grady is the only Level 1 Trauma Center in North Georgia, critical for victims of car crashes and construction cave-ins.

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5. The Impact Of Grady's Closing On Future Economic Growth of the State: In the words of the Greater Grady Task Force "If the Metro Atlanta and the State of Georgia are going to attract future employers and maintain those already here to the region, it requires a working health care network that provides superior care for all citizens and effectively manages increasingly scarce health care resources within community priorities and with accountability. As an example, growth industries, such as biotechnology, require the health care infrastructure of doctors, health care workers, technology and financial investors. Grady is vital to the future of the State."

The Need For Depth of Leadership

Alvarez & Marsal, Atlanta-based consultants who spent the last six months examining all aspects of Grady's operations, state: "Grady does not currently have the depth of leadership to drive a (turnaround) plan of this size." This statement is reinforced by the 6/3/07 AJC editorial: "The consultants point out that political appointees selected by individual county commissioners are simply not responsive enough to the modern medical marketplace. County appointees have rarely had any expertise in health care financing or administration. Unfortunately, the Grady Authority also has a history of ignoring the professionals it hires to manage Grady, sometimes blatantly interfering in contract awards and personnel decisions."

According to the Greater Grady Task Force, Grady could vastly improve its governance were it to be free of the restrictions of the Hospital Authorities Law. Unshackled by the restrictions of the Hospital Authorities Law, Grady would be able to raise additional funds from new sources, develop a broader scope of profitable services, increase public and physician participation in governance, etc., etc, The taxpayers of Georgia would greatly benefit were the Governor to exert the leadership needed by appointing a Blue Ribbon Board comprising the most professional and highly-qualified members with expertise in Hospital Administration, Hospital Finance, Hospital Operations, Hospital Fund-Raising, Hospital Real Estate, etc., etc.

Attracting Private-Paying Patients:

The Greater Grady Task Force indicated that "The best example of a restructuring similar to Grady's is University Hospital in Augusta, owned by the Augusta Hospital Authority. The county commissioners sued to try to stop the restructuring. The case went to the Georgia Supreme Court which stated that a hospital must attract private paying patients or else it will become debt-ridden, indigent-only, dependant upon tax dollars to keep its doors open."

During my tenure on the Grady Board of Trustees, I visited (at my own expense) the Charlotte-Mecklenburg Public Hospital, recommended to me by the Association of Public Hospitals. Hugh McCall, the Chairman,

mentioned that an independent management study concluded “Charlotte-Mecklenburg must attract private-paying patients or else it will become a greater burden on the taxpayers.” At that time, Charlotte-Mecklenburg did not have the availability of heart bypass operations. Hugh McCall and members of his Board visited the famous Dr. Michael E. DeBakey in Waco-based Baylor University. Hugh McCall and the members of his Board made an attractive offer to a team of surgeons experienced in heart bypass operations. Charlotte Mecklenburg built a free standing “Heart Clinic” which proved to be highly successful in attracting private-paying patients. Today, Charlotte-Mecklenburg treats both the private-paying patients as well as the indigent, with absolutely no taxpayer funding whatsoever. Contrast this with Grady which is subsidized with \$102,643,237 annually from Fulton (\$80,345,000) and DeKalb, (\$22,298,237), with a cash shortfall for 2007 projected at \$120 million additional.

Bold, Daring, Innovative Approaches:

To successfully turnaround Grady will require bold, daring, innovative approaches. Under the leadership of the Governor, I visualize a new non-profit Grady Board no longer shackled to the Hospital Authorities Law. Here are but a few thoughts for consideration:

→ **Georgia’s Uninsured & Undocumented Population:** The Greater Grady Task Force reports that “At the current rate of increase, the projected number of uninsured in the State of Georgia will exceed 2 million by 2008, with 37% living in the five-county metropolitan area and looking to Grady for their health-care needs. Uninsured or uncompensated care, and Medicaid patients make up about 75% of Grady’s total patients.” In the best interests of the taxpayers, the Governor and the State Legislature should consider legislation to require employers to pay for some reasonable form of health-care insurance for every employee. To minimize the burden on small and medium-sized businesses, the State should consider some form of tax relief to these employers. The State of Georgia should also reinforce efforts to penalize employers who fail to hire immigrants without proper working papers.

→ **Atlanta’s Hospitals Partnering With Grady:** The case has been proven that Crawford Long, Northside, Piedmont, St. Joseph, etc., would be “financially overwhelmed” in the event of a Grady closing. Therefore, it is in the best interests of Crawford Long, Northside, Piedmont, St. Joseph, etc. to work closely with Grady to achieve common advantages resulting from economies of scale, i.e., purchasing, management practices, lab work, etc. Crawford Long, Northside, Piedmont, St. Joseph, etc. might even consider donating older functioning equipment (CAT Scan, MRI, etc.) to help Grady in its hour of need. I can envision all hospitals collaborating on the marketing of Grady’s specialty services (Burn, Trauma, Neonatal, HIV, etc.) through joint-advertising and public awareness.

→ **Grady’s Real Estate Potential:** The total Grady campus has a critical mass of acreage to justify a master plan. A Task Force of professional planners, architects, Realtors, medical professionals, etc. should plan the future of the Grady campus, developing or selling off prime acreage within the Master Plan.

→ **Rationalization of Underperforming Assets:** The eleven Grady Neighborhood Clinics and the Grady Nursing Home are losing money annually. The sales of these properties should be considered.

→ **Performance Standards:** With 5,000 employees, Grady has 30,000 in-patients and nearly 1 million outpatients annually. The Alvarez & Marsal report indicated that “The average Grady stay is longer than other hospitals.” With Performance Standards for every procedure, Grady could reduce its cost of operations. Furthermore, the use of process improvement techniques, such as Lean Six Sigma and Kaizen, could have a dramatic impact on Grady’s costs of operations.

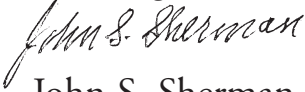
Grady is not just a City of Atlanta issue. It is a State-wide issue. Fulton County taxpayers and taxpayers statewide have a large stake in the success of Grady. I urge you to email the Governor, requesting that the State get more involved in Grady’s future and governance. In the words of the Greater Grady Task Force, “This hospital is too important to the community to let it go under.”

Call To Action

Members of the FCTF – their friends and neighbors – are urged to email Governor Sonny Perdue (sperdue@gov.state.ga) imploring him to play an active role in saving Grady from closure, i.e., helping Grady unshackle itself from the Hospital Authorities Law, appointing a Blue Ribbon non-profit Board of the best and the brightest, proposing legislation to require employers to pay for some reasonable form of health-care insurance for every employee, etc.

The future of Grady affects the State of Georgia.

Kind regards,



John S. Sherman
President

Note: Members who are not receiving our emails, please contact us at: **Fulton County Taxpayers Foundation**, 309 E Paces Ferry Road, NE, Suite 607, Atlanta, Georgia 30305 Phone: (404) 869-6066 Fax: (404) 869-6101 **Email:** fctf1@bellsouth.net **Website:** www.fcta.us

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