Richard Young Center Statement
John M. Fraser, President & CEO, Methodist Hospital

February 6, 2003

Let me begin by echoing some of Sandy's sentiments … Today truly is a sad day for our community, including the sponsoring partners of Richard Young Center.

Despite the very best efforts of Richard Young Center President Sandy Carson and her dedicated staff, the financial challenges associated with inpatient behavioral health services have reached a point where we feel it is no longer practical to operate a free-standing mental health care facility.

In the face of ever-shrinking resources, Sandy and her staff have done a remarkable job of providing the highest level of patient care. Richard Young Center is currently the lowest-cost inpatient facility in the state. Further restrictions and cuts simply could not be made without jeopardizing patient care.

Sandy and her staff should also be commended for the efforts to bring these issues to the attention of the public and for working closely with public officials to secure additional funding. Without those efforts, today's announcement might have happened sooner.

Ongoing and insurmountable financial challenges were the primary factors in the decision to close Richard Young Center after 72 years of service to the community and region. The Center has lost an average of $2.8 million annually since 1993, the last year of profitable operations. The largest annual loss was $3.8 million in 2002. Methodist Hospital, which acquired Richard H. Young Memorial Hospital along with the former Lutheran General Hospital in 1987, covered all of the facility's losses between 1993 and 1999. We have covered more than $30 million in Richard Young Center losses over the past nine years.

The growing negative financial margins were the result of several factors. Inpatient volumes continue to drop. Treatment trends favoring outpatient programs have significantly reduced the average length of stay from 18 days per admission in 1993 to eight days per admission last year. This has resulted in increased costs per patient day due to reduced economies of scale.

Adding to the financial downturn has been stagnant reimbursement from public and commercial payers, who have provided inadequate annual rate increases and imposed stricter managed care mandates, while our expenses continued to rise.
Unfortunately, this appears to be the trend nationally in behavioral health care. Scores of free-standing facilities have closed, merged or announced plans to close in the coming months. Even the world-renowned Menninger Clinic announced that it was leaving its home base of Topeka, Kansas since 1925, to be near its new partners in Houston. Like Richard Young Center, Menninger administrators cited years of financial difficulties as the primary reason for agreeing to the new partnership and moving its operations.

In addition to working with our elected officials, we gave careful consideration to several options regarding the future of Richard Young Center. In December it was announced that Richard Young Center would reduce its number of inpatient beds from 97 to 60, resulting in the elimination of approximately 37 staff positions. Upon additional analysis of that plan, it was determined that the impact of the changes would not be significant enough to continue operations.

Finally, some key elements of Richard Young Center's community-based outpatient services may continue to service our community. These services include outpatient behavioral services, addiction services, the Community Counseling Project and the foster care program. Decisions on these services will be made in the coming weeks.

Additional information will be shared with the public at appropriate times through the Methodist Health System public relations office. If you have questions between now and April 1, please direct your inquiries to Ed Rider at 354-6813.

At this time, I'd like to turn things over to Joe Graham, Chief Operating Officer of Nebraska Health System.