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Struggling Catholic hospital has about two weeks of cash left after Mount Sinai decides the rescue cost was too high.

By Barbara Benson

A bankruptcy may be inevitable for St. Vincent's Hospital after Mount Sinai Medical Center's board decided not to pursue a deal with the Greenwich Village institution. St. Vincent's now has about two weeks of cash left, and neither the state nor its current lenders are keen to loan the hospital additional money.

The scope of the financial commitment necessary to turn St. Vincent's around proved to be too great for Mount Sinai, according to people familiar with the talks. Running at roughly a \$120 million annual deficit, St. Vincent's has been so strapped for cash that it has been deferring maintenance of the facility, which is in poor physical shape. Mount Sinai also took into account the high cost of restarting the hospital's closed residency programs, as well as looming cuts in Medicaid and Medicare.

St. Vincent's chief restructuring officer, Mark Toney, told key players last week that the hospital will need \$275 million to \$300 million over three years to survive as a stand-alone entity and make needed upgrades, according to one source. At least \$175 million of that would be in the first year alone, Mr. Toney said.

It is unlikely that any white knight would be able to shoulder the financial burden and take over St. Vincent's. But both politicians and the hospital's chief union, 1199 SEIU United Healthcare Workers East, are working hard to find a savior. The key hurdle now is keeping St. Vincent's open, whether or not it files for bankruptcy.

In a statement a month ago, Darren Alcus, president of GE Capital Healthcare Financial Services, the hospital's major lender, said it was "critical that the hospital achieve a successful collaboration in the very near term as it likely will be unfeasible for us to extend additional funds to stem their continued financial losses."

With the clock ticking, St. Vincent's board is scheduled to meet next week. "Our board will be in discussions with our management, legal and financial advisers to quickly access our strategic options moving forward," St. Vincent's said in a statement.

This week, GE Capital said in a statement: "We are disappointed that Mount Sinai has decided not to proceed. We continue to work with St. Vincent's, and we are waiting for its board's decision on how they will proceed at this point."

