

# The Closure of Philadelphia General Hospital and the Politics of Ownership

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# The Philadelphia General Hospital Mystery: A Precautionary Tale for Public Hospitals

- The nation's first hospital.
- Played a central role in the development of medicine and nursing and regarded as "indestructible as the pyramids."
- Disappeared without a trace and with little apparent impact in 1977.

# Underlying the Mystery: Who “owns” our community hospitals?

- Investors: 889 (18%, a 5% increase since 1976)
- State and Local Governments: 1,119 (23%, a 7% decline since 1976)
- Non Profit Organizations: 2,919 (59%, a 2% increase since 1976)

Source: AHA 2007

# State and Local Public Hospitals: Direct Public Accountability

- Publicly Owned
- Accountability through elected public officials
- No cost shifting, no one turned away.

# Corporate For Profit Ownership Accountability: Limited

- Publicly chartered limited liability to investors
- Heavily leveraged (“owners” own little)
- Chains insulated behind “shell” subsidiaries.
- Stockholders cede control to managers
- Designed to cost shift, yet almost 60% of income from government

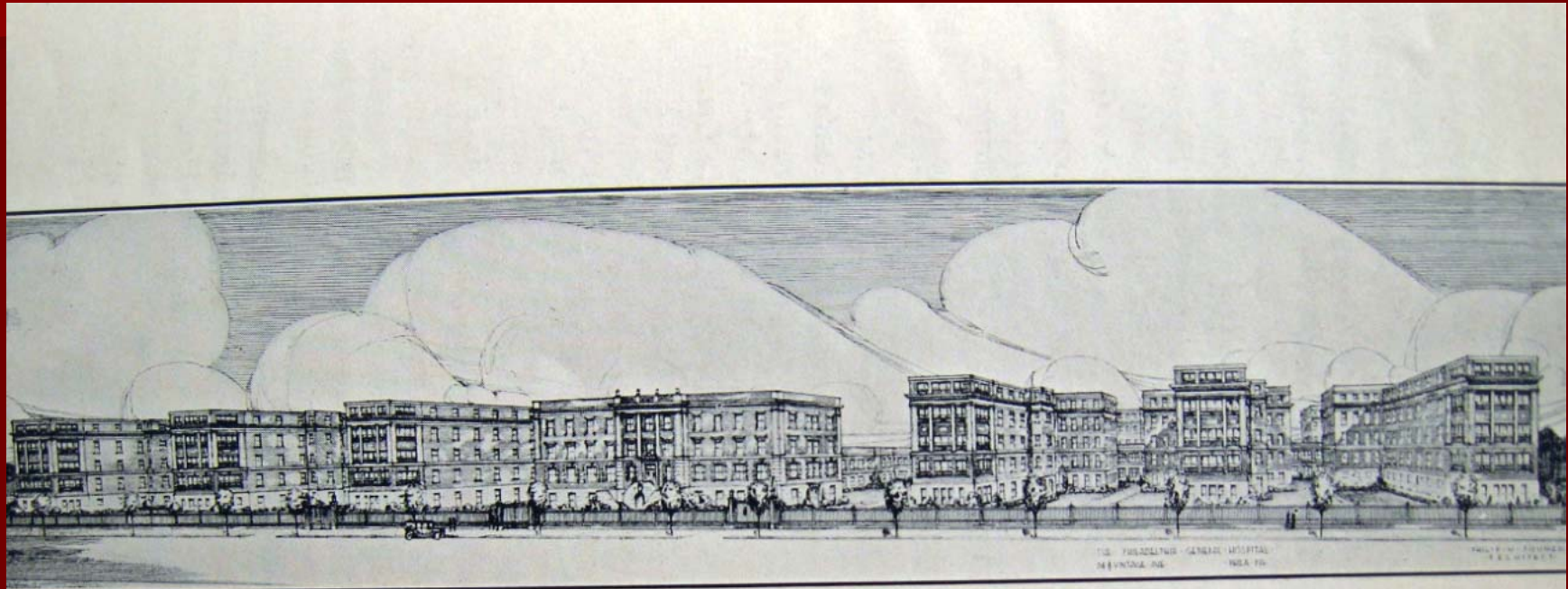
# Non Profit Accountability: At Best Perplexing at Worst Non-existent

- Self perpetuating boards with charitable contributions accounting for less than 5% of funding for operations and capital projects.
- Direct subsidies by government and shaped by government plans (e.g. Hill-Burton) make it an “arm of the state.”
- Yet, cost shifting behavior mostly indistinguishable from that of the for profits.

# The Case of PGH: 1732-1977

- 1732 Philadelphia Almshouse
- 1828 Philadelphia Hospital ("Blockley")
- 1884-1888 Foundations of Modern Medical and Nursing Professions (Osler and Fisher)
- 1928 "New" Philadelphia General Hospital Completed.
- 1976 Closure announced

# The "New" PGH 1928



THE NEW PHILADELPHIA GENERAL HOSPITAL.



# Last Remaining Archeological Fragments 2007



# Gate From the Past Between the Present and Future



# Why PGH Closed: Portrait of the "Perfect Storm"

- Local Ruling Class Culture: "Quaker Egalitarian Individualism"
- Uncontrolled Growth of the publicly subsidized voluntary hospital sector 1946-1976 (Hill-Burton, Medicare/Medicaid, Hospital Authority)
- Medical schools centralize the contracting process
- Cream Skimming/Patient Abandonment
- Municipal Fiscal Crisis in 1970's
- Press exposes and black community protests
- Complacency and Powerlessness of PGH Supporters in the Rizzo Era

# What happened to PGH's patients?

- Inpatient census had already dropped from 1,858 in 1960 to 800:
  - 400 Nursing home eligible transferred to the new public nursing home or other facilities
  - 200 acute care patients covered by public and private plans transferred to other hospitals
  - 200 "difficult placements" (Drug and alcohol, infectious disease, etc.)
- Outpatient load, in theory, transferred to district health centers.

# Longer Term Impact

- Little impact on inpatient volume of voluntary hospital sector.
- Periodic crises in emergency department use.
- Periodic scandals associated with nursing homes and adult homes caring for the behavioral health and elderly populations
- Growth of the homeless population
- Escalating cost and increasing fragmentation of care: at best PGH closure resulted in cost shifting rather than real cost saving.

# PGH's Failures: Lessons for the Future of Public Hospitals

- Develop long term advocacy
- Create regional plans based on that advocacy
- Build structural safeguards
  - Insulation/flexibility
  - Independent funding streams