



# WHO WILL HEAL THE HOSPITALS?

The crisis at Hadassah, the country's leading medical center, is only symptomatic of the deep malaise affecting Israel's medical system

**ALMOST OUT** of the blue, the people of Israel woke up one January morning to learn that their premier research and teaching hospital, Jerusalem's Hadassah Medical Center, was drowning in red ink, broke and deep in debt.

Its cumulative deficit came to a staggering 1.3 billion shekels (\$370 million), four times its size in 2004. Its 2013 deficit was NIS 300 million (\$85.7 million), up from NIS 98 million in 2004, and projected to rise to NIS 400 million (\$114.3 million) in 2014.

Doctors, nurses and administrative staff went on strike when Hadassah paid only half their salaries in January and was short NIS 60 million (\$17 million) to pay the other half, despite (illegally) dipping into pension and income tax deductions.

The whole mess ended up in the Jerusalem District Court, where Judge David Mintz heard Hadassah's pleas for protection from its creditors, as doctors, the administrative staff's union, and the Health Ministry traded insults. On February 19, Mintz granted Hadassah 90 days to pay its bills, including salaries, and the employees went back to work.

Typically, the problem has been brewing for a decade, but action is being taken only now that the illness has become life-threatening. If Hadassah was an individual, it would file a malpractice suit.

What has made Hadassah so desperately ill? Why was the problem not addressed sooner, before it became near terminal? And what is the cure, if there is one?

Hadassah Medical Center has a proud history, dating back a century, when Henrietta Szold founded Hadassah – the Women's Zionist Organization of America, and sent two nurses to Palestine. The original Hadassah Hospital on Mt. Scopus was evacuated during the War of Independence in 1948, when its director Haim Yasky was killed in an attack on a medical convoy; and a new hospital was built in 1960 in Ein Kerem, on the west side of Jerusalem. Hadassah's 330,000 members worldwide raised some \$378 million for the medical center in 2008-2012 alone, according to US national Hadassah President Marcie Natan.

In 2013, Hadassah's 850 doctors and 1,940 nurses in two hospitals, in Ein Kerem and the restored Mt. Scopus facility, served



subsidize Israel's treasury, by paying for the resulting operating losses. This is unethical and deplorable.

The Hadassah crisis has laid bare Israel's stingy investment in health care. Israel spends \$2,149 per capita annually on health care, one-fourth that of the US, or less than 8 percent of Gross Domestic Product (17 percent in the US). Yet Israelis live three years longer than Americans, on average. Only 60 percent of health care spending in Israel is funded by the public coffers, not much above that of the US (53 percent), which has no national health insurance. The rest comes out of our pockets. There is a growing shortage of hospital beds and doctors; 800 new doctors are needed each year, but only 525 graduate yearly from medical schools. And the number of nurses in Israel per 100,000 persons is among the lowest in the West.

**THE MAIN** cause of Hadassah's deficits is its high operating costs.

To get a doctor's view of the crisis, I spoke with Dr. Charles Milgrom, a distinguished American-born orthopedic surgeon who retired last year from Hadassah after 32 years of service. According to Milgrom, "Every country or state needs a true university hospital, to produce the next generation of doctors of excellence... Such hospitals are not economically viable. You can't do research unless you have time to do it; and during that time, the research doctor is not generating income by the traditional methods."

He notes that he himself had a day and a half a week for research, which led to 109 published papers on orthopedics – on stress fractures and on a patient-specific bone-specific mathematical approach for calculating bone strength.

"Hadassah is special," Milgrom tells *The Jerusalem Report*. "On the other side of a revolving door is the Hadassah Medical School. This is quite rare, to have a great teaching hospital right next to a medical school."

## WILL HADASSAH SURVIVE AS A GREAT TEACHING AND RESEARCH HOSPITAL? OR WILL IT BE TURNED INTO AN ORDINARY HOSPITAL?

To fully understand Hadassah's deficits, we need to understand a pervasive illness known as Baumol's cost disease, named after my Princeton mentor and teacher, Prof. William (Jack) Baumol. Nearly 50 years ago, Baumol explained that there are two basic sectors in any economy: Labor intensive services like health care whose productivity does not rise, and hi-tech products like computers, with rising wages and rising productivity. Health care costs soar, trapped in the vice of rising wages (to compete with hi-tech) and constant productivity – a syndrome now named after Baumol.

America is an extreme case. In his 2012 book, "The Cost Disease: Why Computers Get Cheaper and Health Care Doesn't," Baumol notes that "if [US] health care costs continue to rise [as in the past], they will rise from 15 percent of the average person's total income in 2005 to 62 percent by 2105."

Baumol contends that politicians do not understand Baumol's Disease – clearly the case in Israel as well. The choice is to reduce the quantity and quality of health care, or to pay for it out of the productivity dividends of "computers" and their ilk. The Hadassah crisis shows Israel is at a crucial decision point. We can only hope it does not opt to degrade our health. Israel's progressive health insurance tax, of up to 4.8 percent of income, is not adequate to cover rising costs.

I asked Milgrom about the \$360 million

Sarah Davidson Tower, which has drawn fire because it is expensive, partly empty and still needs another \$45 million to be completed. It was made possible by a \$75 million gift from the late William Davidson, founder of Guardian Industries, a major US glass producer.

"The Davidson Tower building was very expensive; it was built for the needs of the next 40 years, not for today's needs," Milgrom explains. "To do otherwise would be unwise. It had to be built with an underground facility, because of Israel's security needs. This is very expensive. Israeli citizens got a bargain, because it cost them nothing."

The fact is Israeli taxpayers have over the years received an immense windfall from Hadassah women. Every single building, every bed, every device at Hadassah was paid for by them. The unwritten social contract with Israel said, we (Hadassah women) build it, you pay to run it, and we'll help.

The same deal applies to, for example, the Technion-Israel Institute of Technology, where all the buildings and most of the lab equipment on its campus were donated



Hundreds of Hadassah Ein Kerem workers spend the night in the entrance hall of the hospital during a demonstration, February 18

by supporters abroad. I know of no other country whose medical and educational infrastructure is so generously funded by donors abroad. Their generosity exposes us Israelis' abysmal record in our own donations to Hadassah (and other charities), or in supporting it through taxes and Health Ministry budgets.

**HEALTH MINISTRY** Director-General Dr. Ronnie Gamzu complains that when he visited Hadassah and tried to get financial data, he was stonewalled, told that Hadassah is a private institution and is not obligated to give him any data. Gamzu has called for the medical center to be nationalized, i.e. transferred to government ownership. This would only make things worse. There is no evidence that government bureaucrats can run Hadassah any better than the doctors have so far. And if the government grabs the valuable assets built so inspiringly by Hadassah women, it would simply be theft.

Milgrom asserts emphatically, "No! The Health Ministry should NOT take over Hadassah and turn it into a public hospital."

But it is clear that when the Finance Ministry writes a big check to bail out Hadassah, as it will, the check will come attached to regulations and a new set of conditions.

Where is the Health Ministry in this mess?

Some miss the guiding hand of the previous health minister, Yaakov Litzman, a member of a Haredi Hasidic sect known as Ger. Litzman initiated a highly successful national dental care program for children. He had a mission and fought to give services to the people of Jerusalem, says Milgrom. His successor, former Herzliya mayor Yael German (of the Yesh Atid party), seems inept and out of her depth in dealing with Israel's failing health system, as does party leader and Finance Minister Yair Lapid. German did not even show up to a recent emergency Knesset Health Committee and Finance Committee meeting on the Hadassah crisis.

Recently, a close family member underwent surgery at Hadassah Ein Kerem. I had many hours in which to observe patient care. As a management educator, I was impressed by how doctors and staff treated

patients with respect, provided them with information and explained each procedure, despite the pressure of hoards of ill people. As one doctor told me, Hadassah is indeed an American hospital in terms of its patients-are-our-clients culture.

Hadassah Medical Center Director-General Avigdor Kaplan understands this well. In a recent memo to staff and doctors, he observed, "I believe our patients must leave Hadassah with the feeling that they have been embraced with a warm hug. We have to invest extra effort to enhance patient satisfaction. It is an essential part of Hadassah's human touch."

This is rare in Israel, where good service is scarce.

Hadassah has come under fire for its private medical services, which co-exist in the same facility with national health insurance services. "Private medical services always have a potentially corrupting influence and need regulation," Milgrom explains. "There are a very small number of doctors, perhaps a dozen, who make a lot of money from the private medical services, and a great many young doctors and paramedical staff who support them and who gain nothing."

And, he added, "My pension, after 32 years of seniority, is NIS 7,000. Why so low? Because much of my salary was based on overtime and duty watches, and pensions are always based on the base salary, not including the extras."

Curing Hadassah's ills will be expensive. It will take taxpayers' money, and lots of it. It is a worthwhile investment, if only to keep Israel at the cutting edge of medical research and technology, vital for our medical device exports.

As Milgrom puts it, "The issue is will Hadassah survive as a great teaching and research hospital? Or will it be turned into an ordinary hospital?" ■

*The writer is Senior Research Fellow at the S. Neeman Institute, Technion*