Louisiana Senate
Finance Committee

Fiscal Year 2017-2018 Budget
LSU Hospital System and Graduate Medical Education

May 2017

Sen. John A. Alario, Jr., President
Sen. Eric LaFleur, Chairman
LSU assumed responsibility for the operation of the state’s safety net acute care hospital system in 1997, with the enactment of R.S. 17:1519, et seq.

These hospitals also served as the main sites of medical education in the state.

Prior to the privatizations, the LSU Health Care Services Division was comprised of the seven hospitals located in the southern part of the state and aligned with the LSU Health Sciences Center in New Orleans. The LSU Health Sciences Center in Shreveport was responsible for the three hospitals located in central and northern Louisiana.
The LSU Hospital System

LSU Hospital at Shreveport
E. A. Conway Medical Center
Huey P. Long Medical Center
W. O. Moss Regional Medical Center
University Medical Center
Earl K. Long Medical Center
Lallie Kemp Regional Medical Center
Leonard J. Chabert Medical Center
MCLaNO/Interim LSU Hospital
Wash.-St. Tamm. Regional Medical Center

Original LSU Hospital System
The LSU Hospital System

Site of the Current LSU Hospital

Lallie Kemp Regional Medical Center
The LSU Hospital System

Sites of the LSU Public Private Partnership Hospitals or Partner Hospitals Providing Comparable Services
How did 9 of the 10 LSU Hospitals come to be privatized?

2/5/2010
LSU, OLOL and the State enter into the first CEA creating a public private partnership governing the future of an LSU hospital – Earl K. Long Medical Center.

7/6/2012
The U.S. Moving Ahead for Progress in the 21st Century Act of 2012 (Public Law 112-141) is enacted reducing the Disaster FMAP factor and thereby creating a nearly $300 million shortfall in state funding in the Medicaid Program. The state begins contemplating the future of the LSU Hospitals as the administration grapples with how to close the deficit in the Medicaid budget.

7/13/2012
DHH announces a 24-percent cut in the total budget for the LSU Hospitals as part of the reductions in Medicaid claims and uncompensated care costs payments in response to the reduction in the FMAP.

12/10/2012
DHH and LSU begin a series of announcements of additional public private partnerships to operate LSU hospitals in the future.

4/15/2013
Earl K. Long Medical Center closes and OLOL assumes its inpatient and emergent care and operation of the clinics.

6/24/2013
Leonard J. Chabert Medical Center, University Medical Center and Interim LSU Hospital transition to private operation. W.O. Moss Regional Medical Center closes and Lake Charles Memorial Hospital assumes the inpatient and emergent care and operation of the clinics.

10/1/2013
LSU Health – Shreveport and E. A. Conway Medical Center transition to private operation.

3/16/2014
Washington–St. Tammany Regional Medical Center/Bogalusa Medical Center transitions to private operation.

7/1/2014
Huey P. Long Medical Center closes and its partner hospitals assume the inpatient and emergent care and operation of the clinics.
The legacy costs associated with the privatization of six of the seven LSU Health Care Services Division hospitals include expenses such as the administration of the remaining activities associated with the privatized hospital operations, legal fees, medical records storage, property maintenance, risk management premiums, and retirees’ group insurance premiums.

The oversight and maintenance responsibilities of the New Orleans-based properties were transferred from HCSD to the LSU Health Sciences Center – New Orleans in FY16 and the funding transferred in FY17.

The LSU Health Sciences Center – Shreveport is responsible for the legacy costs associated with the privatized hospitals in Monroe and Shreveport and the closed hospital in Alexandria, which include the costs related to the remaining activities of the privatized hospital operations, medical records storage, property maintenance, risk management premiums, and retirees’ health and life insurance premiums.

**These costs total $54.3 million for FY18.**
The HCSD’s FY18 budget includes a two-percent across-the-board SGF reduction totaling $493,291.

HCSD’s estimate of hospital legacy costs for FY18 totals $28,650,830, but the FY18 budget contains only $20,306,709 in funding for these costs.
The LSU Hospitals Public Private Partnerships involve both the LSU System and the Department of Health and Hospitals.

- The LSU Board of Supervisors is entrusted with the ownership and operation of these hospitals pursuant to Title 17 of the Revised Statutes and oversees the cooperative endeavor agreements (CEAs) with the partners now operating the former LSU hospitals or providing replacement services for the closed facilities.
- LDH’s Medicaid program contains the financing for the partnerships.

The FY18 Medicaid budget currently contains nearly $1.18 billion in funding that could be used for supplemental payments to the private partners that will either operate or provide comparable services in the region of one of the former LSU hospitals.

- This amount includes a 6.2 percent reduction in payments to these hospitals totaling $84 million in the recommended budget for FY18.
- The House further reduced the partner payments to settle prior year costs totaling $14.6 million.

A proposal to reduce supplemental payments so that base reimbursement rates to all hospitals may be increased could impact these payments by up to $215.4 million. The department is still working on this methodology change and the final impact on the partners is not known at this time.

The partners will make an estimated $159.4 million in lease payments to the state next fiscal year as part of the partnership agreements.
The HSC’s FY18 estimated portion of the two-percent across-the-board SGF reduction to Higher Education totals $1,877,289.

The appropriation out of the Tobacco Tax Health Care Fund was reduced by $3,800,930 to balance to the REC forecast adopted in January. The appropriation out of the Support Education in Louisiana First (SELF) Fund was also reduced by $287,581 to balance to the forecast.

The HSC’s estimate of hospital legacy costs for FY18 totals $8,553,547, but the FY18 budget contains an estimated $6,553,547 in funding for these costs.

The funding for the Public Private Partnerships also directly impacts the operations of the Health Sciences Center as it contracts with the partner hospitals to provide the clinical settings for its residents and their supervising faculty members. Insufficient funding for the partnerships has a direct impact on the ability of the HSC to fulfill its academic mission of training the future medical professionals for this state.
The HSC’s FY18 estimated portion of the two-percent across-the-board SGF reduction to Higher Education totals $1,440,942.

The appropriation out of the Tobacco Tax Health Care Fund was reduced by $1,497,336 to balance to the REC forecast adopted in January. The appropriation out of the Support Education in Louisiana First (SELF) Fund was also reduced by $187,024 to balance to the forecast.

The HSC’s estimate of hospital legacy costs for FY18 totals $17,093,847.

The funding for the Public Private Partnerships also directly impacts the operations of the Health Sciences Center as it contracts with the partner hospitals to provide the clinical settings for its residents and their supervising faculty members. Insufficient funding for the partnerships has a direct impact on the ability of the HSC to fulfill its academic mission of training the future medical professionals for this state.