

**LEGISLATIVE FISCAL OFFICE**  
**Streamlining Commission Analysis**



Recommendation No. **RECOMMENDATION 101**

Streamlining Draft **AGEB 38**

<b>Date:</b> March 4, 2010 7:55 AM	<b>Author:</b>
<b>Dept./Agy.:</b> Health Care Services Division (HCSD)	<b>Analyst:</b> Charley Rome
<b>Subject:</b> Expand GME in Private Hospitals throughout the State	

Page 1 of 2

LSU HCSD, to the maximum extent possible, shall execute affiliation agreements with other hospitals serving Medicare patients to receive additional General Medical Education (GME) funding from the federal Medicare program.

The Louisiana Streamlining Government Commission recommends to the governor and the Louisiana Legislature that the LSU Health Care Services Division be directed, to the maximum extent possible, to execute affiliation agreements with other hospitals that have high levels of Medicare patients and a commitment to resident training in order to receive additional money from Medicare for graduate medical education (GME), which such additional monies are being left on the table because of the low number of Medicare patients in the Charity Hospital system.

<b>EXPENDITURES</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>REVENUES</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

There is no way to estimate the measure's impact on state and federal expenditures. The recommendation will have no impact on local governmental expenditures. The scope of expanded Medicare GME will depend on the number of hospitals wishing to initiate such programs. There is no way to estimate how many hospitals might initiate such Medicare GME funded training and the corresponding impact on state and local governmental expenditures. However, participating private hospitals will retain any additional Medicare GME payments unless contractual provisions between the State and participating hospitals require otherwise.

Anticipating the willingness and ability of hospitals to initiate residency programs is hampered by accreditation requirements. The Accreditation Council for Graduate Medical Education (ACGME) regulates residency programs and has accreditation requirements including configurations of training sites. ACGME accreditation requirements encourage multiple training programs at training hospitals to maximize student/faculty interactions and economies of scale from training efforts. Only larger hospitals providing comprehensive services are likely to meet ACGME accreditation requirements needed to obtain Federal Medicare reimbursements for medical education.

Any hospital that has not received federally funded residency positions in the past can start their own residency programs and receive federal funding. However, the federal funds do not cover the entire cost of the programs. These programs are also expensive to run and they require a large amount of specialized expertise to operate. Significant start-up costs, high operating costs, and limited federal reimbursement for medical education will greatly limit the willingness of hospitals to initiate their own residency programs funded from Medicare or other sources.

The LSU Board of Supervisors recently adopted a proposal to replace Earl K. Long (EKL) with Our Lady of the Lake Regional Medical Center (OLOL) in the Baton Rouge area. LSU's proposal will close EKL by 2014 and OLOL will assume primary responsibility for serving Baton Rouge's indigent and uninsured patients with EKL's closing. The proposal would also move most of EKL's medical education programs to OLOL by 2014.

**(Expenditure Explanation continued on page two)**

**REVENUE EXPLANATION**

There is no way to estimate the measure's impact on state and local revenues. The scope of expanded Medicare GME will depend on the number of hospitals wishing to initiate such programs. There is no way to estimate how many hospitals might initiate such Medicare GME funded training and the corresponding impact on state and local governmental revenues. However, participating private hospitals will retain any additional Medicare GME payments unless contractual provisions between the State and participating hospitals require otherwise.

Senate  
 13.5.1 >= \$500,000 Annual Fiscal Cost

Dual Referral Rules

13.5.2 >= \$500,000 Annual Tax or Fee Change

House  
 6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

*H. Gordon Monk*

**H. Gordon Monk**  
**Legislative Fiscal Officer**

LEGISLATIVE FISCAL OFFICE  
Streamlining Commission Analysis



Recommendation No. **RECOMMENDATION 101**

Streamlining Draft **AGEB 38**

<b>Date:</b> March 4, 2010 7:55 AM	<b>Author:</b>
<b>Dept./Agy.:</b> Health Care Services Division (HCSD)	<b>Analyst:</b> Charley Rome
<b>Subject:</b> Expand GME in Private Hospitals throughout the State	

**CONTINUED EXPLANATION from page one:**  
**(Expenditure Explanation continued from page one)**

OLOL provides services to a significantly larger number and proportion of Medicare patients compared to EKL. As such, the proposed partnership between EKL and OLOL will likely result in increased Medicare GME/IME payments as suggested by this Streamlining Commission recommendation. An analysis funded by OLOL estimates that Medicare GME/IME payments will increase by approximately \$600,000 in FY 2012, \$2 million in FY 2013, and \$3 million in FY 2014. OLOL forecasted Medicare GME/IME payments increase dramatically from FY 2012 through FY 2014 because these payments are based on three year rolling averages as EKL's medical education programs move to OLOL starting in 2012. These additional Medicare GME/IME payments will have no affect on State revenues because OLOL will retain these extra payments unless contractual provisions between the State and participating hospitals require otherwise.

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase  
or a Net Fee Decrease

*H. Gordon Monk*

**H. Gordon Monk**  
**Legislative Fiscal Officer**