



Karl Couvillon

FY16 Executive Budget

LSU Hospitals

LSU Hospitals Public-Private Partnerships

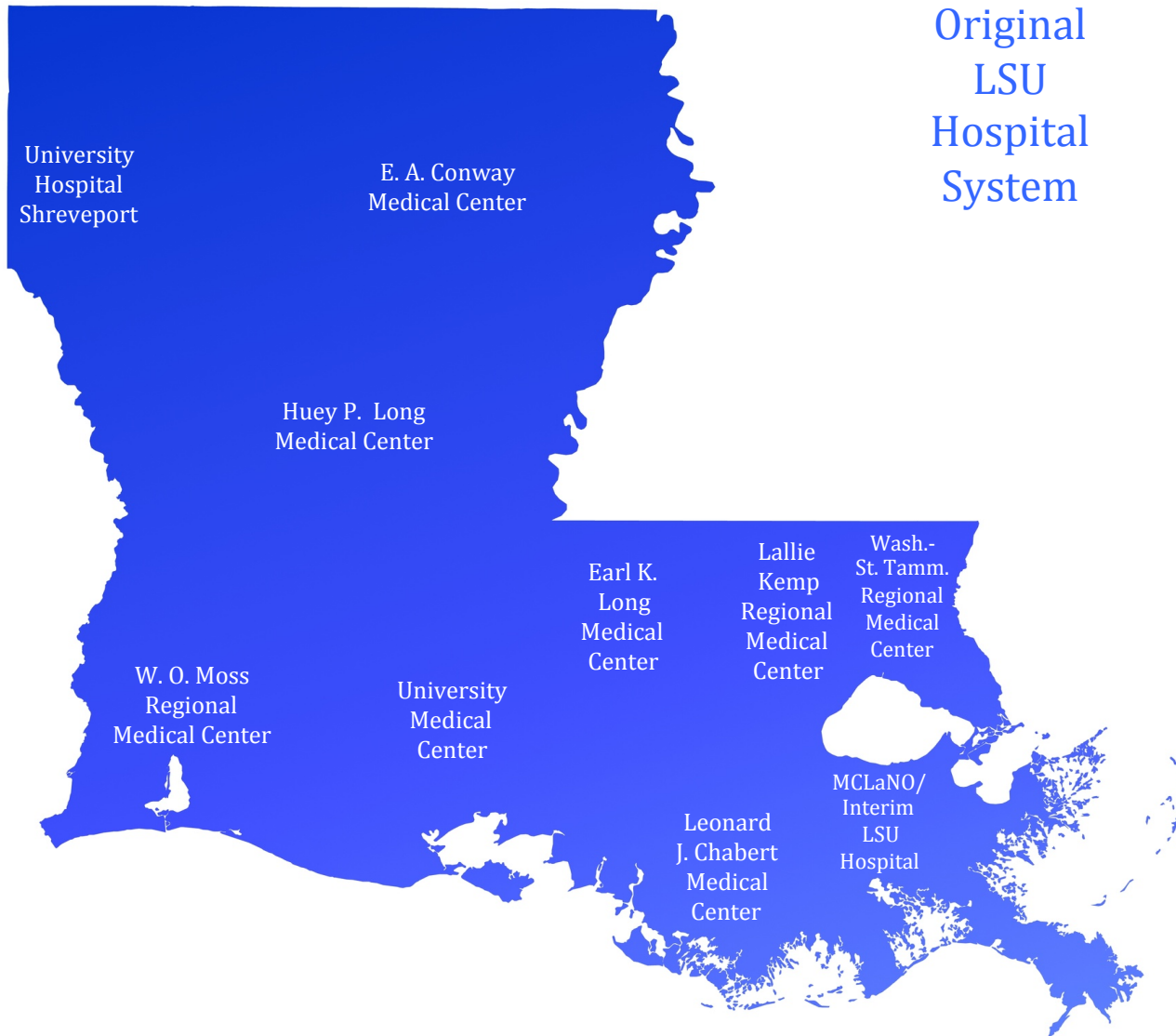
Schedule 19E –
LSU Health Care Services Division



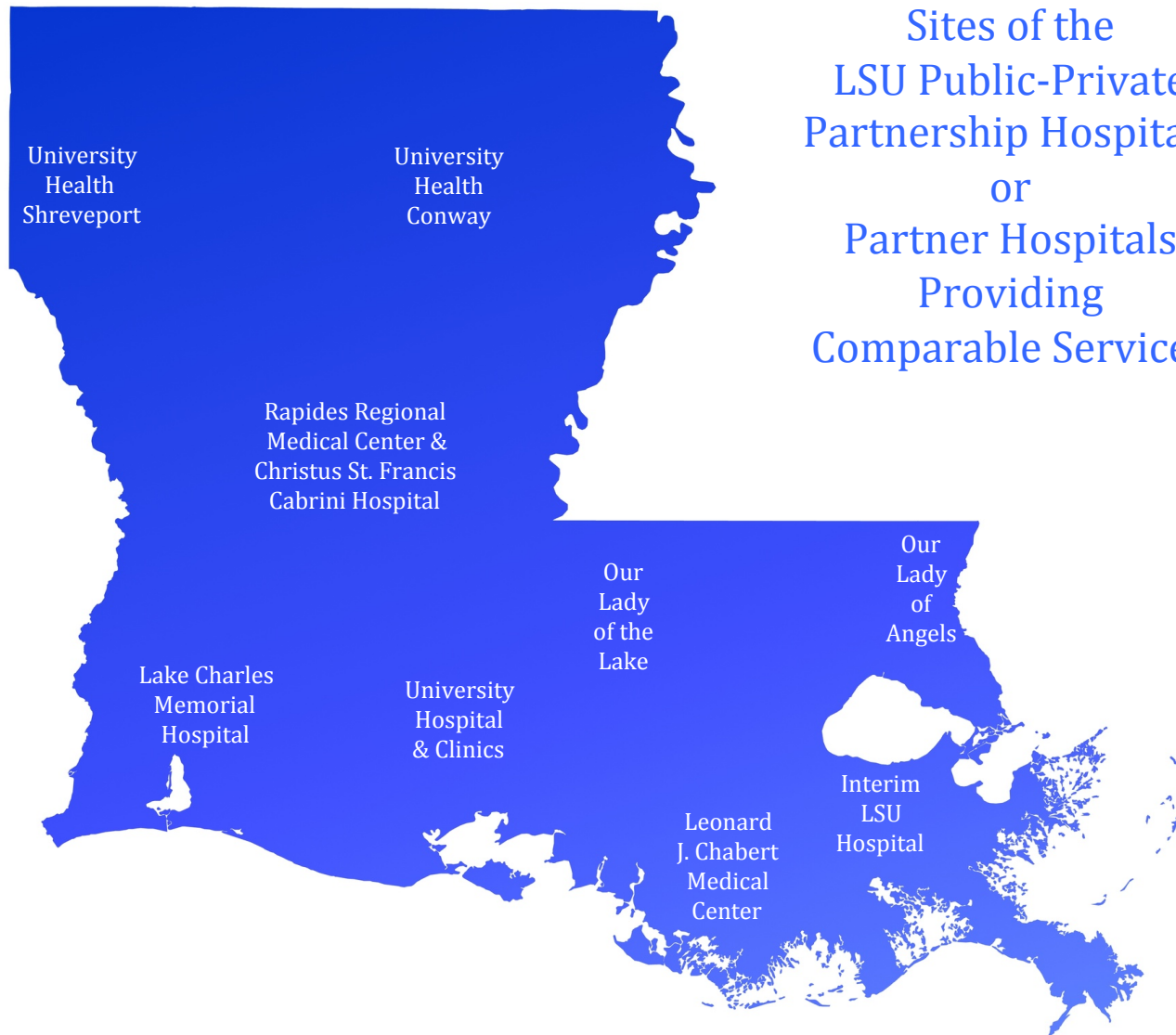
Louisiana Senate
Finance Committee
April 16, 2015

LSU Hospitals

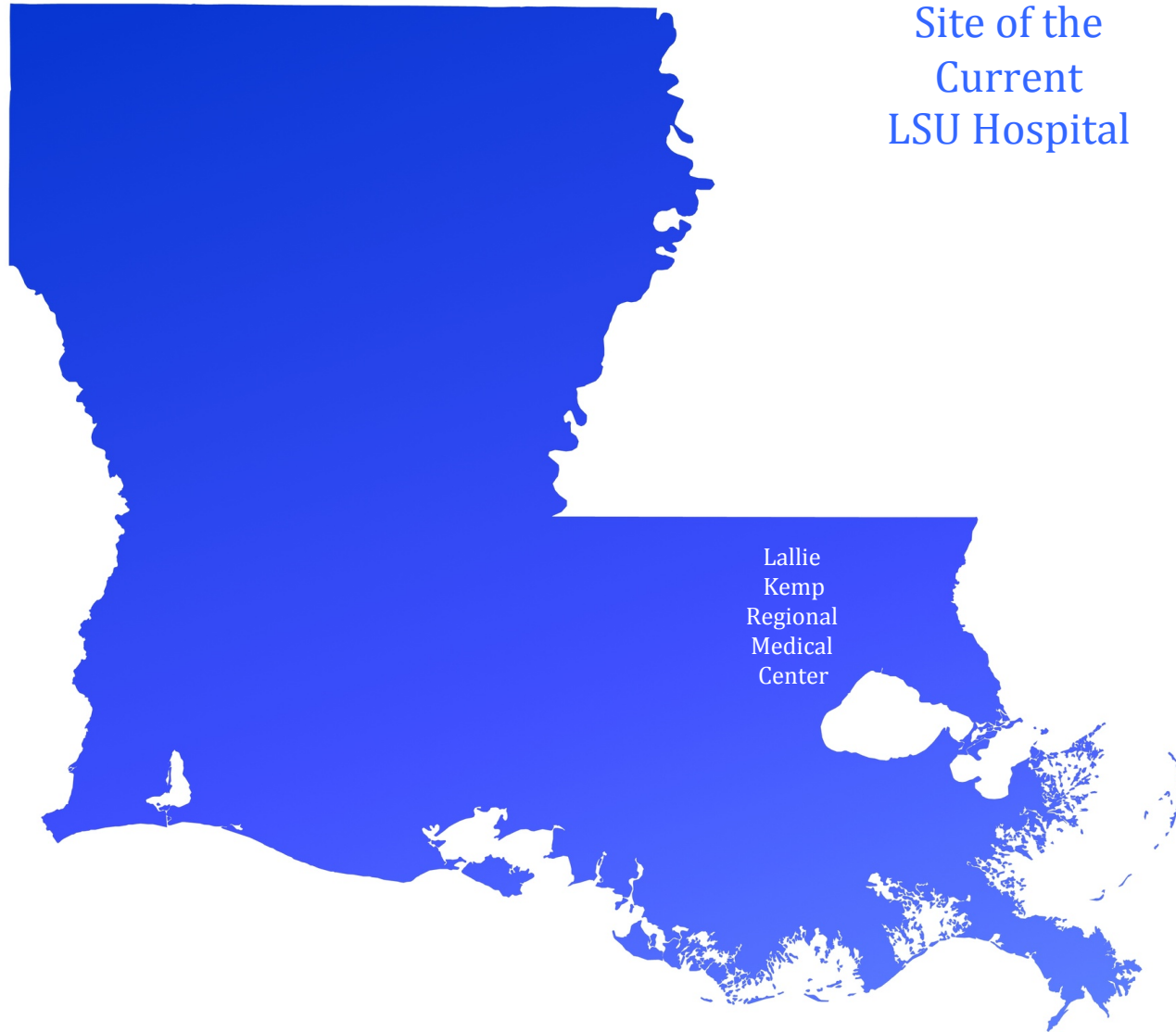
Original LSU Hospital System



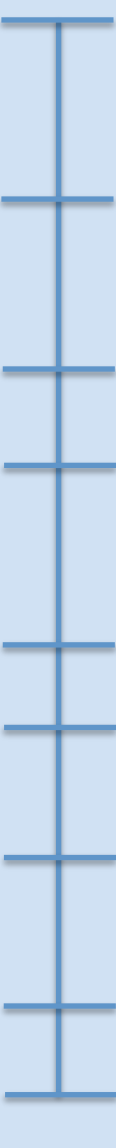
Sites of the
LSU Public-Private
Partnership Hospitals
or
Partner Hospitals
Providing
Comparable Services



Site of the
Current
LSU Hospital



How did 9 of the 10 LSU Hospitals come to be privatized?

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- 2/5/2010 LSU, OLOL and the State enter into the first CEA creating a public-private partnership governing the future of a LSU hospital – EKLMC.
 - 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.

Public–Private Partnership CEAs

Partners, Transition Dates and Initial Terms

LSU Health Care Services Division Hospitals

Baton Rouge

- LSU Hospital: Earl K. Long Medical Center
- Partner: Our Lady of the Lake Hospital, Inc.
- Transition Date: 04/15/2013
- Initial Term of CEA: 10 years
- Inpatient and Emergency Department Hospital Services Closed and Absorbed within Operation of Partner Hospital pursuant to SCR 130 of 2009

Bogalusa

- LSU Hospital: Washington–St. Tammany Regional Medical Center/Bogalusa Medical Center
- Partner: Franciscan Missionaries of Our Lady Health System
- Transition Date: 03/16/2014
- Initial Term of CEA: 10 years

Houma

- LSU Hospital: Leonard J. Chabert Medical Center
- Partner: Terrebonne General Medical Center
- Transition Date: 06/24/2013
- Initial Term of CEA: 5 years

Public–Private Partnership CEAs

Partners, Transition Dates and Initial Terms

LSU Health Care Services Division Hospitals

Lafayette

- LSU Hospital: University Medical Center
- Partner: Lafayette General Health System, Inc.
- Transition Date: 06/24/2013
- Initial Term of CEA: 5 years

Lake Charles

- LSU Hospital: W. O. Moss Regional Medical Center
- Partner: Southwest Louisiana Hospital Association (Lake Charles Memorial Hospital)
- Transition Date: 06/24/2013
- Initial Term of CEA: 10 years
- Inpatient and Emergency Department Hospital Services Closed and Absorbed within Operation of Partner Hospital pursuant to SCR 98 of 2013

New Orleans

- LSU Hospital: Interim LSU Hospital
- Partner: Louisiana Children's Medical Center
- Transition Date: 06/24/2013
- Initial Term of CEA: 5 years

Public–Private Partnership CEAs

Partners, Transition Dates and Initial Terms

LSU Health Sciences Center – Shreveport Hospitals

Alexandria

- LSU Hospital: Huey P. Long Medical Center
- Partners: CHRISTUS Health Central Louisiana & Rapides Healthcare System
- Transition Date: 07/01/2014
- Initial Term of CEA: 10 years
- Inpatient and Emergency Department Hospital Services Closed and Absorbed within Operations of Partner Hospitals pursuant to SCR 48 of 2014

Monroe

- LSU Hospital: E. A. Conway Medical Center
- Partner: Biomedical Research Foundation of Northwest Louisiana
- Transition Date: 10/01/2013
- Initial Term of CEA: 5 years

Shreveport

- LSU Hospital: LSU Health - Shreveport
- Partner: Biomedical Research Foundation of Northwest Louisiana
- Transition Date: 10/01/2013
- Initial Term of CEA: 5 years

Supplementary Funding

Supplementary Funding Recommendations in the Medical Vendor Payments Budget Financing the Current and Former LSU Hospitals in FY16

State General Fund	Federal Funds	Total	Description
\$6,582,420	\$10,817,580	\$17,400,000	Partial funding (ten points of the actuarial sound range) of the per-member-per-month payments to the Bayou Health plans.
\$4,606,298	\$7,570,011	\$12,176,309	Funding for supplemental payments for Graduate Medical Education costs at hospitals.
\$35,224,019	\$57,887,318	\$93,111,337	Approximately one-third (33%) of the funding for full-Medicaid pricing (FMP) payments to the former LSU hospitals now operating under the public-private partnership agreements.
\$3,028,108	\$4,976,407	\$8,004,515	Approximately one-third (33%) of the funding for upper payments limit (UPL) payments to the former LSU hospitals now operating under the public-private partnership agreements.
\$189,150	\$310,850	\$500,000	Ten percent of the funding for payments under Low-Income Needy Care Collaboration Agreements (LINCCA) for services provided at Lallie Kemp Regional Medical Center.
\$1,248,390	\$2,051,610	\$3,300,000	Ten percent of the funding for full-Medicaid pricing (FMP) payments to rural hospitals.
\$2,194,140	\$3,605,860	\$5,800,000	Two percent of the funding for the various home-and-community-based (HCBS) waiver programs, including the Children's Choice, Adult Day Health Center, Residential Options, Supports, Community Choices, and New Opportunity Waivers.
\$1,097,070	\$1,802,930	\$2,900,000	Two percent of the funding for the Program for All-Inclusive Care for the Elderly (PACE) and long-term care - personal care services.
\$794,430	\$1,305,570	\$2,100,000	Two percent of the funding for optional ambulatory surgical center, hemodialysis, and in-patient mental health services.
\$10,289,760	\$16,910,240	\$27,200,000	Two percent of the funding for federal-or-court-mandated hospital, physician, laboratory, x-ray, medical transportation, home health, adult dental, Early Steps therapy, Early and Periodic Screening, Diagnosis and Treatment (EPSDT), case management, physical therapy, occupational therapy, and specialized behavioral health services.
\$30,000	\$270,000	\$300,000	Two percent of the funding for federal-mandated Family Planning services.
\$65,283,785	\$107,508,376	\$172,792,161	<i>Subtotal Payments to Private Providers</i>
\$1,267,369	\$2,086,346	\$3,353,715	Approximately 12.5 percent of the funding for Uncompensated Care Costs (UCC) payments for uninsured health care services provided by Lallie Kemp Regional Medical Center.
\$87,275,518	\$143,673,193	\$230,948,711	Approximately one-third (33%) of the funding for UCC payments for uninsured health care services provided at the former LSU hospitals now operating under the public-private partnership agreements.
\$88,542,887	\$145,759,539	\$234,302,426	<i>Subtotal Uncompensated Care Costs Payments</i>
\$153,826,672	\$253,267,915	\$407,094,587	Total FY16 Supplementary Budget Recommendations for the Medicaid Program

These items are contingent upon the conversion of refundable tax credits to non-refundable tax credits.

LSU Hospitals Public-Private Partnerships

LSU Hospitals Public-Private Partnerships

FY16 Executive Budget

- 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 agreements with the partners now operating the former LSU hospitals or providing replacement services for the closed facilities.
 - DHH's Medicaid program contains the financing for the partnerships.
- The Medicaid budget for FY16 contains a standstill budget of \$1.1 billion for Medicaid fee-for-service claims, upper payment limit or full-Medicaid pricing, and disproportionate share payments to the private partners that will either operate or provide comparable services in the region of one of the former LSU hospitals.

LSU Hospitals Public-Private Partnerships

FY16 Executive Budget vs. FY15 Existing Operating Budget

		Changes for FY16				
	FY15 Payments (Budgeted)	Shift to a Full Capitation Bayou Health Program	Adjustments to UPL/FMP Payments	Adjustments to UCC Payments	Total of All Adjustments	Total Budgeted for Payments in FY16
Alexandria						
Medicaid Claims Payments	\$2,681,512	(\$1,331,378)	\$0	\$0	(\$1,331,378)	\$1,350,134
Medicaid UPL/ Bayou Health FMP Payments	\$0	\$0	\$0	\$0	\$0	\$0
UCC Payments	\$50,323,000	\$0	\$0	\$0	\$0	\$50,323,000
Total Payments	\$53,004,512	(\$1,331,378)	\$0	\$0	(\$1,331,378)	\$51,673,134
Baton Rouge						
Medicaid Claims Payments	\$50,876,955	(\$23,543,339)	\$0	\$0	(\$23,543,339)	\$27,333,616
Medicaid UPL/ Bayou Health FMP Payments	\$120,995,631	\$0	\$0	\$0	\$0	\$120,995,631
UCC Payments	\$0	\$0	\$0	\$0	\$0	\$0
Total Payments	\$171,872,586	(\$23,543,339)	\$0	\$0	(\$23,543,339)	\$148,329,247
Bogalusa						
Medicaid Claims Payments	\$3,364,172	(\$1,830,777)	\$0	\$0	(\$1,830,777)	\$1,533,395
Medicaid UPL/ Bayou Health FMP Payments	\$9,431,749	\$0	\$0	\$0	\$0	\$9,431,749
UCC Payments	\$31,848,877	\$0	\$0	\$0	\$0	\$31,848,877
Total Payments	\$44,644,798	(\$1,830,777)	\$0	\$0	(\$1,830,777)	\$42,814,021
Houma						
Medicaid Claims Payments	\$8,490,131	(\$4,367,684)	\$0	\$0	(\$4,367,684)	\$4,122,447
Medicaid UPL/ Bayou Health FMP Payments	\$0	\$0	\$0	\$0	\$0	\$0
UCC Payments	\$78,838,835	\$0	\$0	\$0	\$0	\$78,838,835
Total Payments	\$87,328,966	(\$4,367,684)	\$0	\$0	(\$4,367,684)	\$82,961,282
Lafayette						
Medicaid Claims Payments	\$10,607,552	(\$5,562,188)	\$0	\$0	(\$5,562,188)	\$5,045,364
Medicaid UPL/ Bayou Health FMP Payments	\$51,840,161	\$0	\$0	\$0	\$0	\$51,840,161
UCC Payments	\$64,004,195	\$0	\$0	\$0	\$0	\$64,004,195
Total Payments	\$126,451,908	(\$5,562,188)	\$0	\$0	(\$5,562,188)	\$120,889,720

LSU Hospitals Public-Private Partnerships

FY16 Executive Budget vs. FY15 Existing Operating Budget

	FY15 Payments (Budgeted)	Changes for FY16				Total Budgeted for Payments in FY16
		Shift to a Full Capitation Bayou Health Program	Adjustments to UPL/FMP Payments	Adjustments to UCC Payments	Total of All Adjustments	
Lake Charles						
Medicaid Claims Payments	\$3,758,700	(\$1,753,713)	\$0	\$0	(\$1,753,713)	\$2,004,987
Medicaid UPL/ Bayou Health FMP Payments	\$3,500,213	\$0	\$0	\$0	\$0	\$3,500,213
UCC Payments	\$46,420,601	\$0	\$0	\$0	\$0	\$46,420,601
Total Payments	\$53,679,514	(\$1,753,713)	\$0	\$0	(\$1,753,713)	\$51,925,801
Monroe						
Medicaid Claims Payments	\$6,783,088	(\$3,164,814)	\$0	\$0	(\$3,164,814)	\$3,618,274
Medicaid UPL/ Bayou Health FMP Payments	\$0	\$0	\$40,768,931	\$0	\$40,768,931	\$40,768,931
UCC Payments	\$40,768,931	\$0	\$0	(\$40,768,931)	(\$40,768,931)	\$0
Total Payments	\$47,552,019	(\$3,164,814)	\$40,768,931	(\$40,768,931)	(\$3,164,814)	\$44,387,205
New Orleans						
Medicaid Claims Payments	\$31,107,488	(\$14,100,772)	\$0	\$0	(\$14,100,772)	\$17,006,716
Medicaid UPL/ Bayou Health FMP Payments	\$78,089,484	\$0	\$0	\$0	\$0	\$78,089,484
UCC Payments	\$228,492,980	\$0	\$0	\$0	\$0	\$228,492,980
Total Payments	\$337,689,952	(\$14,100,772)	\$0	\$0	(\$14,100,772)	\$323,589,180
Shreveport						
Medicaid Claims Payments	\$32,334,076	(\$15,507,354)	\$0	\$0	(\$15,507,354)	\$16,826,722
Medicaid UPL/ Bayou Health FMP Payments	\$0	\$0	\$0	\$0	\$0	\$0
UCC Payments	\$195,837,998	\$0	\$0	\$0	\$0	\$195,837,998
Total Payments	\$228,172,074	(\$15,507,354)	\$0	\$0	(\$15,507,354)	\$212,664,720
TOTAL PAYMENTS						
Medicaid Claims Payments	\$150,003,674	(\$71,162,019)	\$0	\$0	(\$71,162,019)	\$78,841,655
Bayou Health Claims Payments	\$0	\$71,162,019	\$0	\$0	\$71,162,019	\$71,162,019
Medicaid UPL/ Bayou Health FMP Payments	\$263,857,238	\$0	\$40,768,931	\$0	\$40,768,931	\$304,626,169
UCC Payments	\$736,535,417	\$0	\$0	(\$40,768,931)	(\$40,768,931)	\$695,766,486
Total Payments	\$1,150,396,329	\$0	\$40,768,931	(\$40,768,931)	\$0	\$1,150,396,329

LSU Hospitals Public–Private Partnerships

FY16 Executive Budget vs. FY15 Existing Operating Budget

- Shift of Medicaid Claims Payments to the Bayou Health Program
 - A total of \$71.2 million is being shifted from direct Medicaid fee-for-service claims payments by DHH to the hospitals to the Bayou Health per-member-per-month premiums paid by DHH to the Medicaid managed care organizations.
 - All Medicaid recipients enrolled in the Bayou Health plans are now enrolled in pre-paid plans.
 - This action is budget neutral to the Medicaid program and, so long as these Medicaid enrollees continue to access care at these hospitals, to the hospitals as well.
- There is also a change in the type of payments for the Monroe hospital for FY16 – the \$40.8 million in UCC payments will shift to upper payment limit/full-Medicaid pricing payments in FY16.

LSU Hospitals Public–Private Partnerships

FY16 Executive Budget vs. FY15 Existing Operating Budget

- Unfunded Request by the Private Partners for Additional Payments in FY16
 - Beyond the financing recommended for FY16, the Medicaid budget request included a request from the partners for additional funding totaling nearly \$142 million (\$53.7 million of which is state funding) for FY16 for the hospitals/services operated under partnership arrangements.
 - Approximately \$87.6 million of that request for additional spending is related to the operations in New Orleans. The new academic medical center is currently slated to open in early FY16 and there is no new money for those additional operational and patient care costs associated with the new, larger facility.

LSU Hospitals Public–Private Partnerships

FY16 Executive Budget – Supplementary Recommendations

A total of \$332.1 million, or 81.6 percent, of the Medicaid program's \$407.1 million of supplementary budget recommendations for FY16 is being used to finance patient care provided at the former LSU hospitals now operating under the public-private partnership agreements:

- Approximately \$93.1 million for full-Medicaid pricing (FMP) payments;
- Approximately \$8 million for upper payment limit (UPL) payments; and,
- Approximately \$230.1 million for UCC payments for uninsured health care services.

Schedule 19E – LSU Health Care Services Division

FY16 Executive Budget

Schedule 19E — LSU Health Care Services Division

- The budget for the LSU Health Care Services Division in FY16 is compromised solely of the operating expenses of Lallie Kemp Regional Medical Center (LKRMC). The funding for the administrative program is being taken off-budget for FY16.
- LKRMC's recommended funding for FY16 totals \$46.2 million, of which \$3.9 million is State General Fund.
- Lallie Kemp Regional Medical Center is an acute care, allied health professional teaching hospital located in Independence, Louisiana.
- LKRMC provides inpatient and outpatient acute care hospital services, including emergency room and scheduled clinic services.

FY16 Executive Budget

Supplementary Budget Recommendations

Approximately \$3.9 million of LKPMC's financing is within the \$407.1 million of Medicaid supplementary budget recommendations for FY16:

- \$500,000 for payments under Low-Income Needy Care Collaboration Agreements (LINCCAs) and
- \$3.4 million for Uncompensated Care Costs (UCC) payments for health care services provided to uninsured individuals.

FY16 Executive Budget vs. FY15 Existing Operating Budget

Total Funding	FY15 EOB as of 12-1-14	FY16 Recommended	<i>Difference</i>
LSU HCSD - LKRCM	\$ 131,024,302	\$ 46,238,767	<i>\$ (84,785,535)</i>

Total Positions	331	331	-
FY16 Authorized Other Charges Positions: 0			

FY16 Non-Discretionary Funding

Total Non-Disc.:	\$3,757,754
Percent Non-Disc:	8.1%
Total Non-Disc. SGF:	\$0
Non-Disc. T.O.:	0

Non-Discretionary Expenditures

Provision of medical services to prisoners
 Retirees' Group Insurance
 Legislative Auditor Fees

FY16 Discretionary Funding

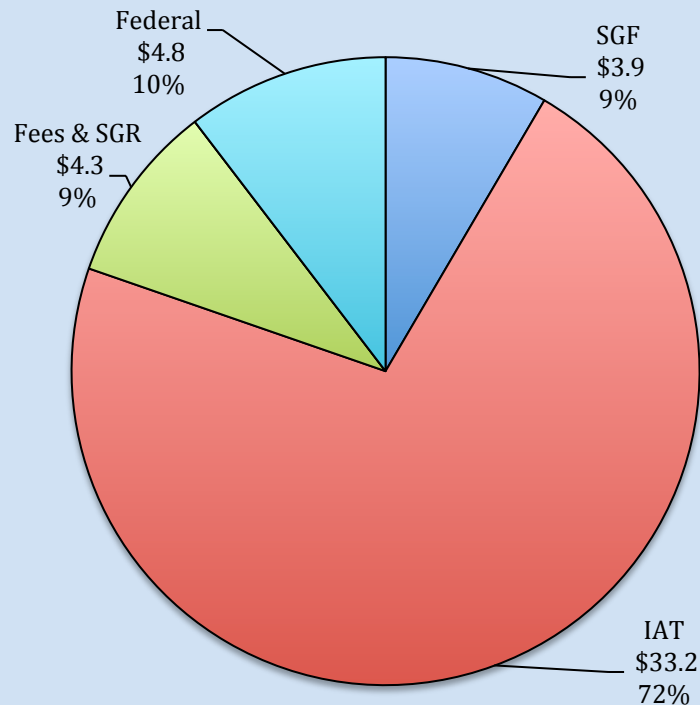
Total Discretionary:	\$42,481,013
Percent Discretionary:	91.9%
Total Disc. SGF:	\$3,860,659
Discretionary T.O.:	331

Discretionary Expenditures

Provision of inpatient and outpatient medical
 services

FY16 LSU HCSD Means of Finance

FY16 Total Means of Finance
(In Millions)



Major Non-SGF Sources of Funding:

HCSD's non-SGF funding is derived from revenues generated by the provision of medical services at Lallie Kemp Regional Medical Center.

The Interagency Transfers are Medicaid and Uncompensated Care Costs (UCC) payments from DHH for services provided to Medicaid recipients and the uninsured and from the Department of Public Safety and Corrections for prisoner health care costs.

The Fees and Self-generated Revenues are derived from payments from commercial health care plans, including the Bayou Health plans – the Medicaid managed care plans, and private-pay patient payments.

The Federal Funds are payments for services provided to Medicare enrollees.

FY15 Existing Operating Budget vs. FY16 Recommended

Schedule 19E HCSD — Total Expenditures

Expenditure Category	FY15 Existing Operating Budget	FY16 Recommended Budget	Difference
Personal Services	\$53,254,282	\$28,307,125	(\$24,947,157)
Operating Expenses	\$17,769,753	\$10,549,873	(\$7,219,880)
Professional Services	\$20,571,210	\$905,850	(\$19,665,360)
Other Charges	\$39,325,215	\$6,372,077	(\$32,953,138)
Acquisitions & Major Repairs	\$103,842	\$103,842	\$0
Total Expenditures	\$131,024,302	\$46,238,767	(\$84,785,535)

LSU HCSD

Significant FY16 Budget Issues:

- Increase in Uncompensated Care Costs
 - Funding for health care services for the uninsured via Medicaid UCC payments from DHH is being increased by \$2.7 million for FY16.
- Legacy Costs
 - The \$10 million in funding for the legacy costs of the hospitals now operating under the partnership CEAs has been non-recurred for FY16. The plan for FY16 finances legacy costs through a LSU Physician full-Medicaid pricing (FMP) payment mechanism that is currently under review and development.
- Administration Program Off-Budget
 - For FY16, the \$77.4 million of self-generated revenues funding the Executive Administration and General Support program are being moved off-budget.
 - This program provides support and administrative services to Lallie Kemp Regional Medical Center and general support and accountable care services for the hospitals that have entered into cooperative endeavor agreements (CEA) for the public-private partnerships.