



Louisiana Senate Finance Committee



Fiscal Year 2018-2019 Budget

LSU Hospital System and Graduate Medical Education

April 2018

*Sen. John A. Alario, President
Sen. Eric LaFleur, Chairman*



The History of the LSU Hospital System

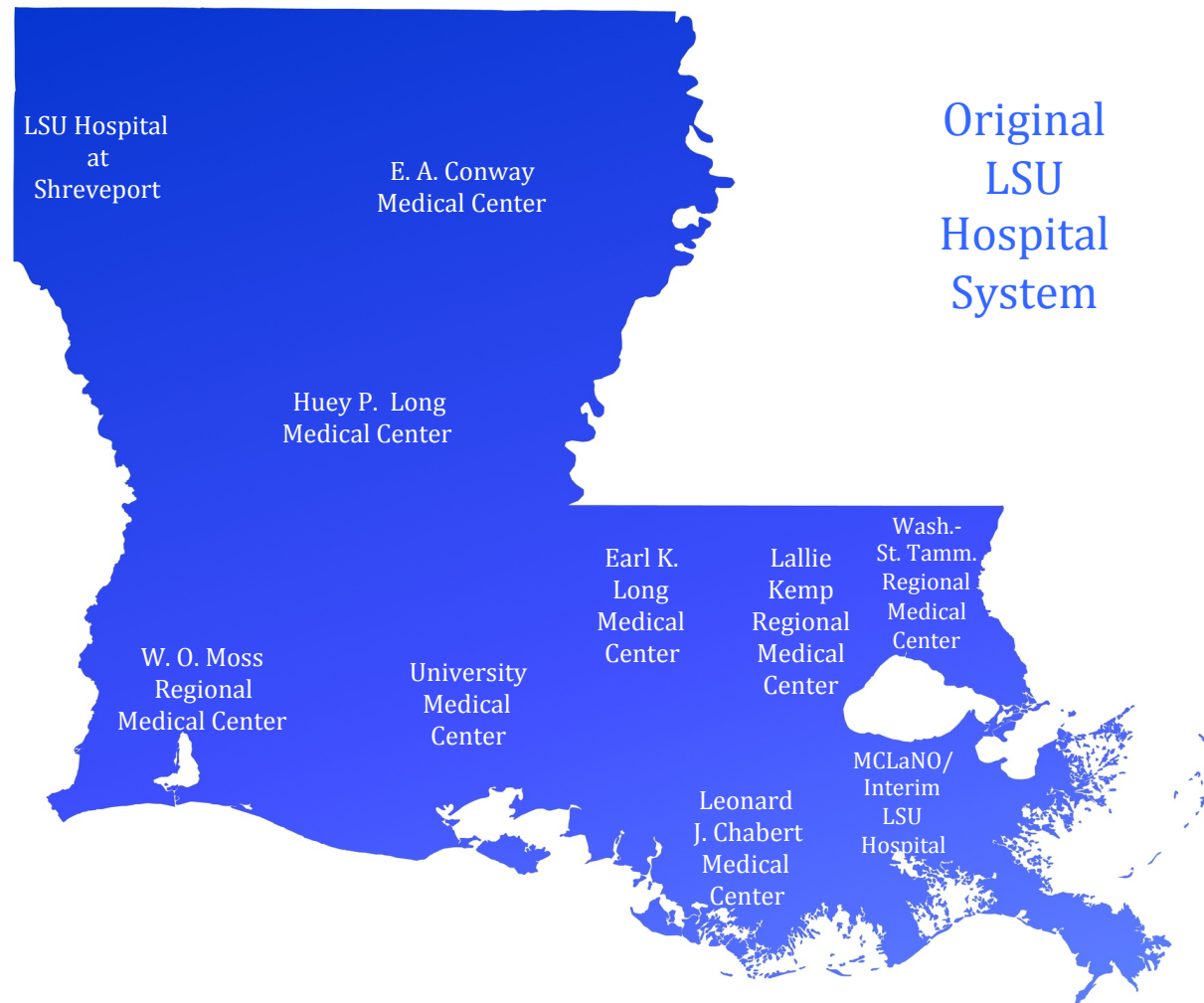
LSU assumed responsibility for the operation of the state's safety net acute care hospital system in 1997, with the enactment of R.S. 17:1519, et seq.

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.



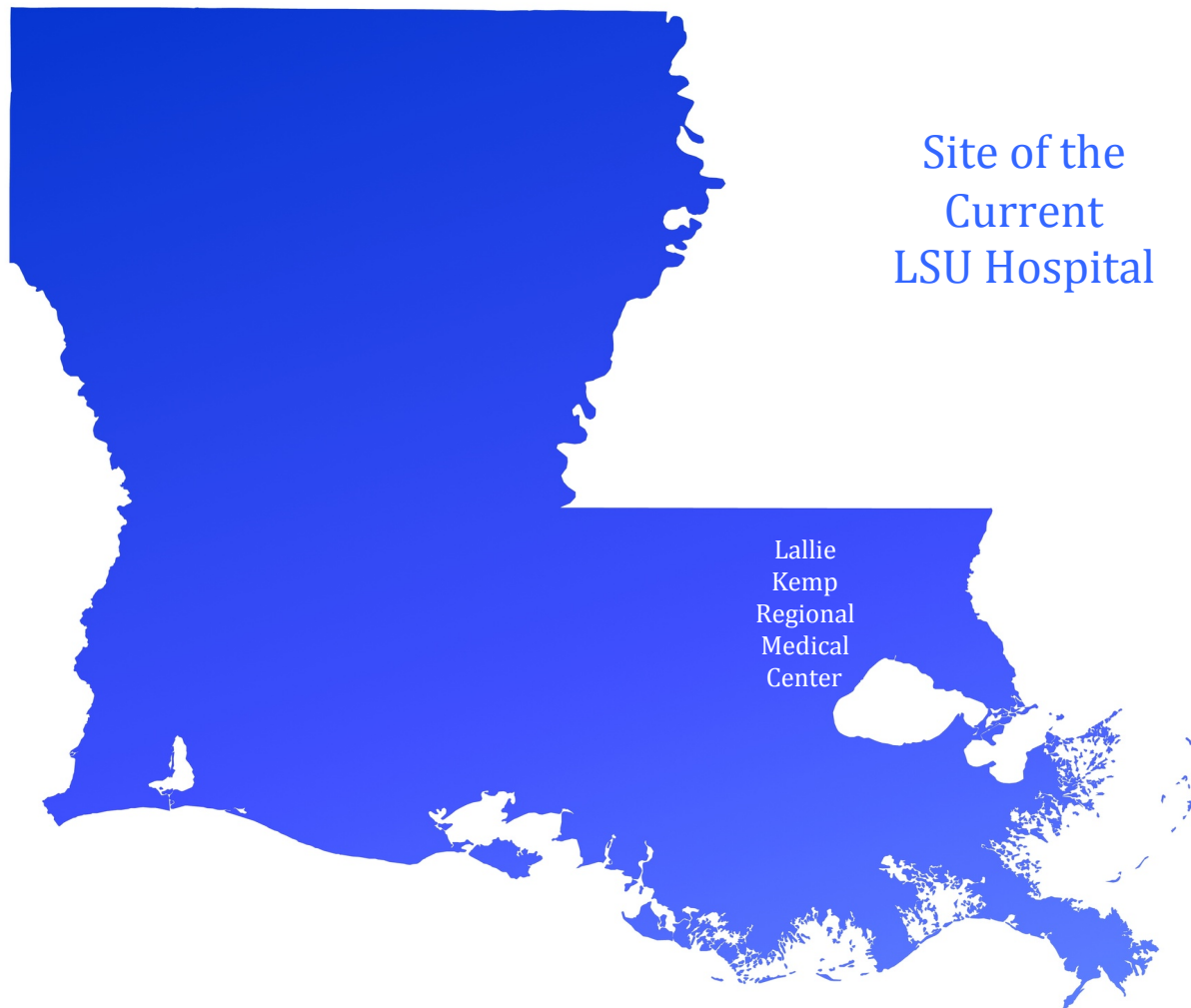
The LSU Hospital System



Original
LSU
Hospital
System

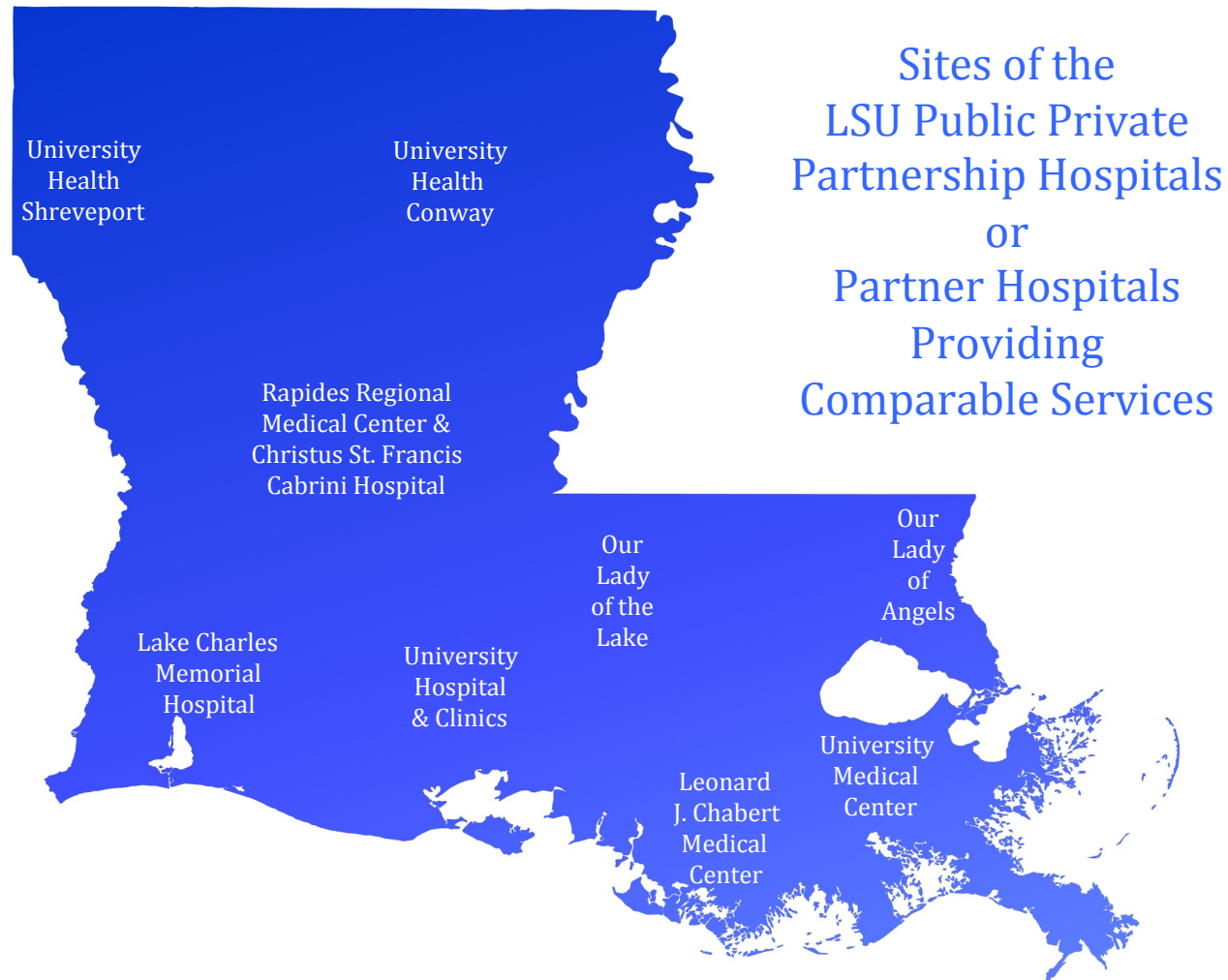


The LSU Hospital System





The LSU Hospital System





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.



LSU Public Private Partnership Hospitals

The LSU Hospitals Public Private Partnerships involve both the LSU System and the Louisiana Department of Health.

- 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 FY19 Medicaid budget currently contains **no funding** 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. Approximately \$1.1 billion is budgeted in the current fiscal year for payments to the partnership hospitals.

The partners are scheduled to make an estimated \$168 million in lease payments to the state next fiscal year as part of the partnership agreements. If funding in the Medicaid budget for payments to the partner hospitals is not restored and the partnerships dissolve, then the state general fund will be short by this amount as the lease payments will not be made.

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



Hospital Privatization Legacy Costs

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.

The projected hospital legacy costs for FY19 total \$50.5 million:

- \$27.6 million for the Health Care Services Division;
- \$6.2 million for the Health Sciences Center in New Orleans; and,
- \$16.7 million for the Health Sciences Center in Shreveport.



LSU Health Care Services Division

Means of Finance	FY16 Actuals	FY17Actuals	FY18 EOB (as of 12/1/17)	FY19 Recommended	<i>Difference FY18 to FY19</i>
State General Fund	\$36,106,297	\$24,664,566	\$24,427,906	\$24,427,906	\$0
Interagency Transfers	\$21,026,831	\$17,788,112	\$18,383,724	\$3,969,790	<i>(\$14,413,934)</i>
Fees and Self-generated Revenues	\$7,359,632	\$12,149,617	\$15,472,658	\$9,355,434	<i>(\$6,117,224)</i>
Statutory Dedications	\$0	\$379,658	\$0	\$0	\$0
Federal Funds	\$4,443,953	\$4,954,212	\$4,800,336	\$4,800,336	\$0
Total	\$68,936,713	\$59,936,165	\$63,084,624	\$42,553,466	<i>(\$20,531,158)</i>

HCSD's FY19 budget is being reduced by a total of \$19.7 million (\$13.6 million in DSH payments and \$6.1 million in supplemental payments) to balance Lallie Kemp Regional Medical Center's budget to the amount budgeted for such reimbursements in Schedule 09-306 Medical Vendor Payments.



LSU Health Sciences Center – New Orleans

Means of Finance	FY16 Actuals	FY17 Actuals	FY18 EOB (as of 12/1/17)	FY19 Recommended	Difference FY18 to FY19
State General Fund	\$39,455,355	\$74,536,768	\$75,847,984	\$0	(\$75,847,984)
Interagency Transfers	\$0	\$0	\$0	\$0	\$0
Fees and Self-generated Revenues	\$55,251,355	\$58,910,443	\$58,996,024	\$58,996,024	\$0
Statutory Dedications	\$50,982,229	\$16,816,796	\$4,234,423	\$4,116,350	(\$118,073)
Federal Funds	\$0	\$0	\$0	\$0	\$0
Total	\$145,688,939	\$150,264,007	\$139,078,431	\$63,112,374	(\$75,966,057)

All State General Fund for the Higher Education Institutions has been pooled to the Board of Regents for distribution according the Higher Education Formula. It is estimated that the Health Sciences Center's share of the SGF in the Executive Budget totals \$73.2 million; thereby producing a total estimated budget of \$136.3 million for the Health Sciences Center for FY19.

The HSC's estimated portion of the across-the-board SGF reduction to Higher Education proposed in the Executive Budget for FY19 totals \$2.6 million.



LSU Health Sciences Center – Shreveport

Means of Finance	FY16 Actuals	FY17Actuals	FY18 EOB (as of 12/1/17)	FY19 Recommended	Difference FY18 to FY19
State General Fund	\$47,486,476	\$57,211,833	\$58,202,700	\$0	(\$58,202,700)
Interagency Transfers	\$0	\$0	\$0	\$0	\$0
Fees and Self-generated Revenues	\$18,829,077	\$21,109,079	\$21,409,079	\$21,409,079	\$0
Statutory Dedications	\$47,601,062	\$7,529,265	\$7,400,747	\$7,329,332	(\$71,415)
Federal Funds	\$0	\$0	\$0	\$0	\$0
Total	\$113,916,615	\$85,850,177	\$87,012,526	\$28,738,411	(\$58,274,115)

All State General Fund for the Higher Education Institutions has been pooled to the Board of Regents for distribution according the Higher Education Formula. It is estimated that the Health Sciences Center's share of the SGF in the Executive Budget totals \$56.2 million; thereby producing a total estimated budget of \$84.9 million for the Health Sciences Center for FY19.

The HSC's estimated portion of the across-the-board SGF reduction to Higher Education proposed in the Executive Budget for FY19 totals \$2 million.