



Louisiana Senate Finance Committee



Fiscal Year 2022-2023 Executive Budget Recommendations

LSU Public Private Partnership Hospitals

19-610 – LSU Health Care Services Division

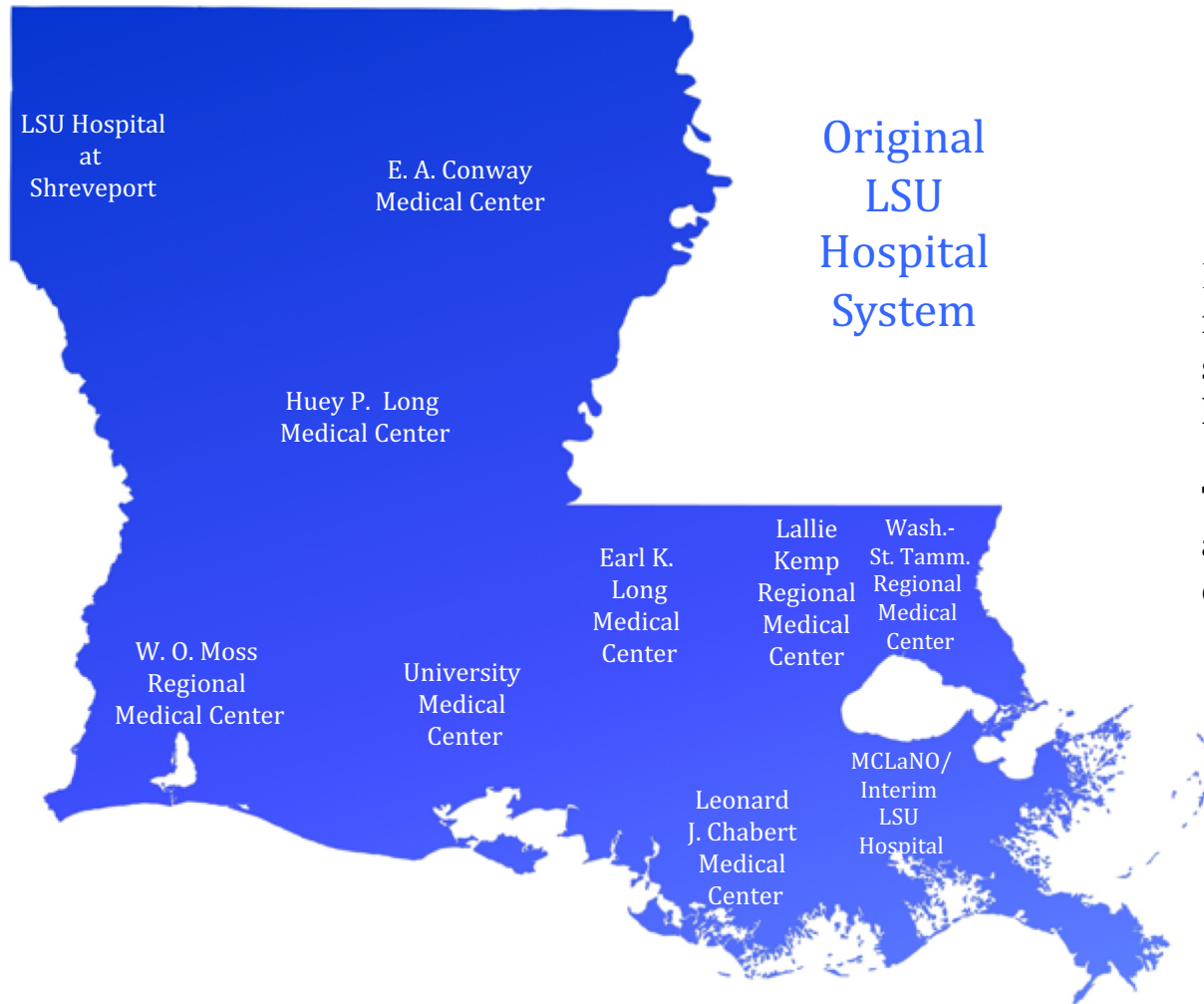
March 8, 2022

*Senator Patrick Page Cortez, President
Senator Bodi White, Chairman*

History of the LSU Hospitals



History of the LSU Hospital System



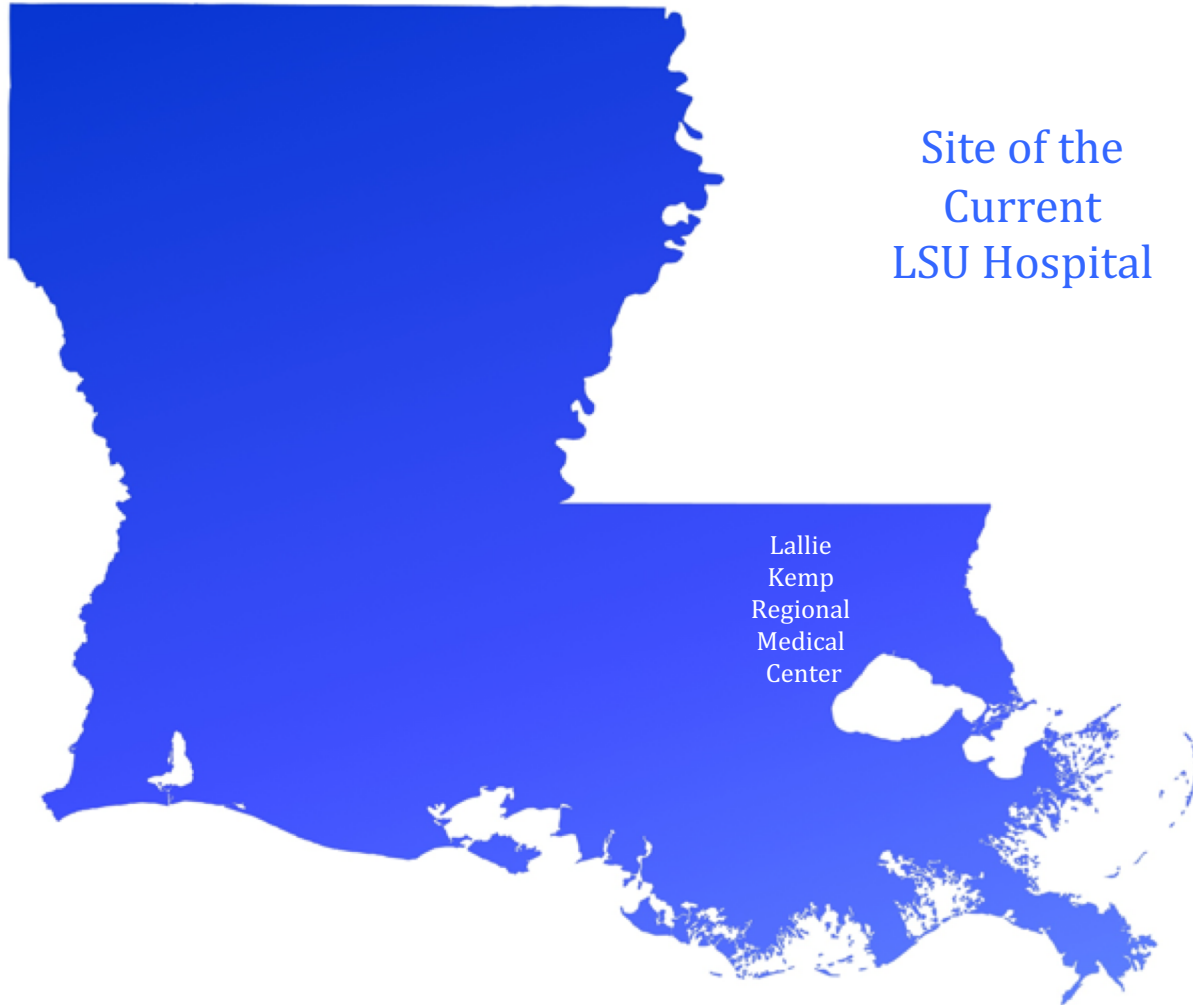
Original LSU Hospital System

LSU assumed responsibility for the operation of the state's safety net acute care hospital system in 1997.

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



LSU Health Care Services Division

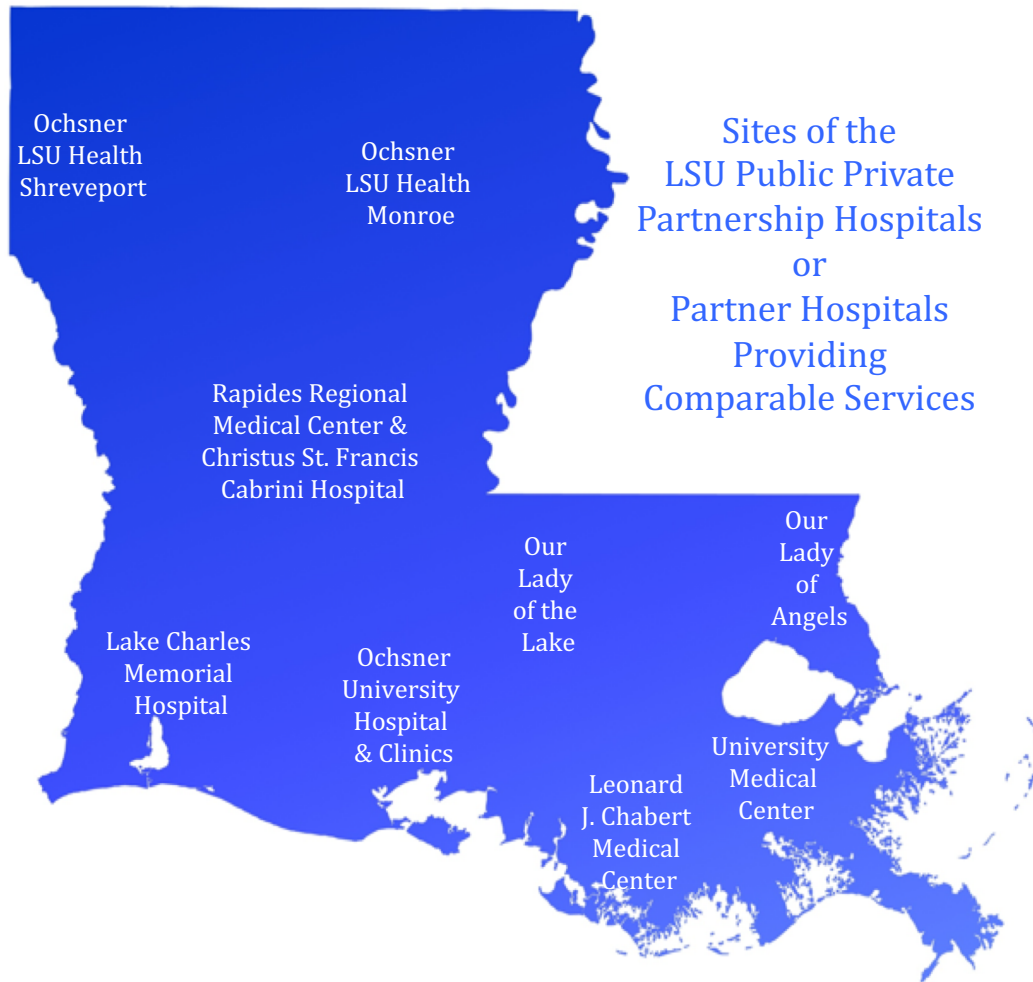


Site of the
Current
LSU Hospital

Lallie
Kemp
Regional
Medical
Center



LSU Public Private Partnership Hospitals



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

- The LSU Board of Supervisors oversees the execution of cooperative endeavor agreements (CEAs) with the partners.
- LDH's Medicaid program contains the financing for the partnerships.

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.



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 pursuant to SCR 130 of the 2009 Regular Legislative Session.
- 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 pursuant to SCR 98 of the 2013 Regular Legislative Session.
- 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 pursuant to SCR 48 of the 2014 Regular Legislative Session.
- 10/1/2018 — The partnership in northern Louisiana with the Biomedical Research Foundation ends and a new partnership between LSU and Ochsner begins as the Ochsner-LSU Health System of North Louisiana comprised of the hospitals in Shreveport and Monroe.



Hospital Privatization Revenues and Costs

Revenues

The partners pay approximately \$146 million annually in facility and equipment lease payments to the state as part of the partnership agreements.

Costs

There are “legacy” costs associated with the remaining activities associated with the privatized hospital operations, such as:

- managing the leases of buildings and equipment belonging to the state by the partner hospitals;
- medical-legal issues and fees;
- medical records storage;
- cost reports;
- property maintenance;
- risk management premiums; and
- retirees’ group insurance premiums.

The projected hospital legacy costs for FY23 total \$38.1 million:

- \$23.6 million for the Health Care Services Division and
- \$14.5 million for the Health Sciences Center in Shreveport.

**Schedule 19-610 –
LSU Health Sciences Center –
Health Care Services Division**



LSU Health Care Services Division

In addition to legacy costs, the budget for the Health Care Services Division (HCSD) is composed of the operating expenses of one remaining LSU hospital – Lallie Kemp Regional Medical Center.



Photo Source: LSU Spirit of Charity Emergency Medicine Residency Program Website

Lallie Kemp Regional Medical Center is a 15-bed, Critical Access Hospital serving the Florida Parishes and located in Independence, Louisiana.

The hospital provides acute, primary and general critical medical services –

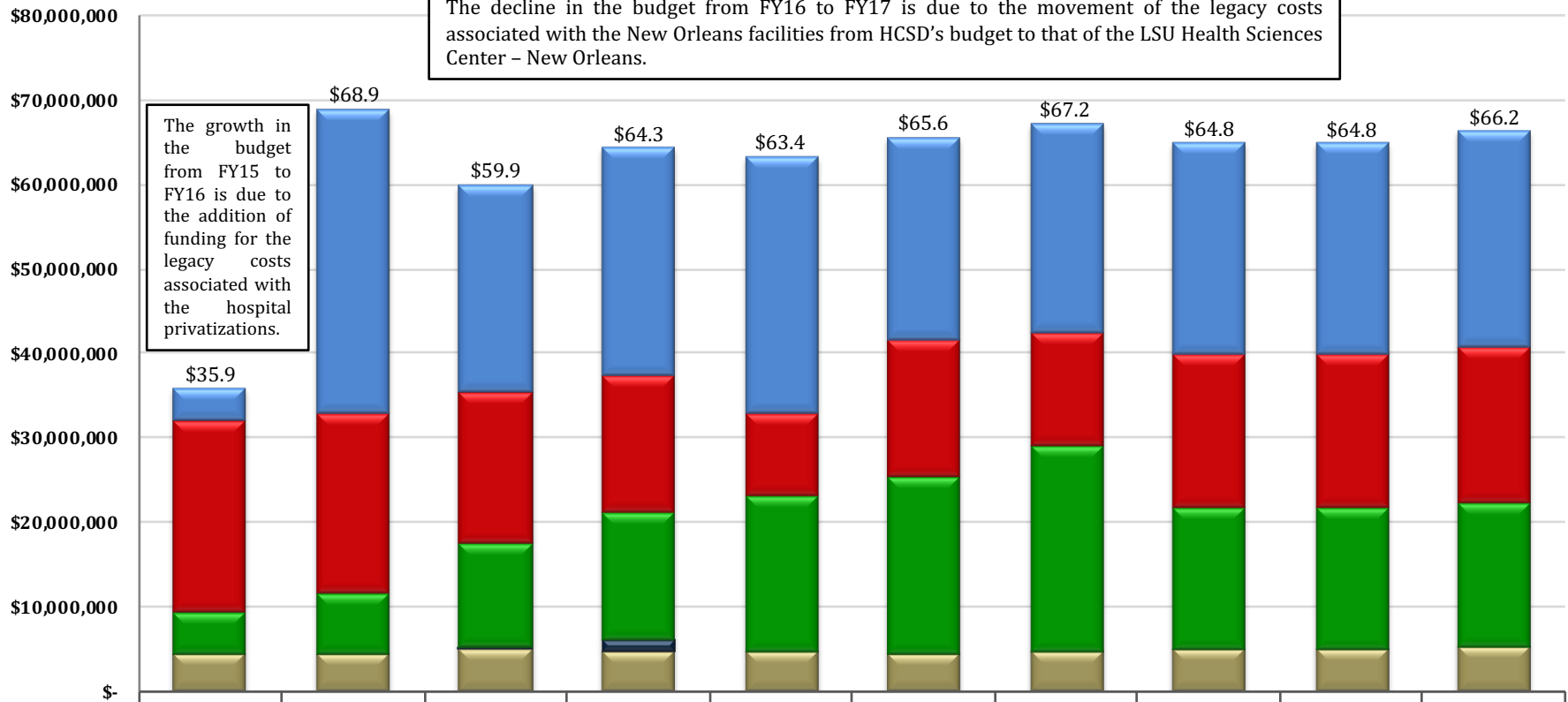
- Over 26,000 clinic visits and nearly 18,000 emergency department visits per year and
- Approximately 430 hospital admissions total per year resulting in roughly 1,600 acute patient days.

Lallie Kemp also has a teaching mission – working with the LSU Health Sciences Center in New Orleans in resident training and serving as a teaching site for nursing and allied health students through its partnerships with the Job Corps School to Work program, La. Technical College, Southeastern La. University, Southwest Mississippi Community College, and North Shore Career College.



Budget History

Total Budget by Fiscal Year and Means of Finance



	FY15 Actuals	FY16 Actuals	FY17 Actuals	FY18 Actuals	FY19 Actuals	FY20 Actuals	FY21 Actuals	FY22 Enacted	FY22 as of 12/1/212	FY23 Recommended Budget
■ SGF	\$3,860,659	\$36,106,297	\$24,664,566	\$27,062,061	\$30,478,413	\$23,981,083	\$24,766,943	\$24,983,780	\$24,983,780	\$25,530,111
■ IAT	\$22,694,574	\$21,026,831	\$17,788,112	\$15,982,678	\$9,769,905	\$16,242,432	\$13,501,079	\$18,121,686	\$18,121,686	\$18,463,336
■ FSGR	\$4,878,873	\$7,359,632	\$12,149,617	\$15,098,202	\$18,332,900	\$20,817,468	\$24,090,518	\$16,598,113	\$16,598,113	\$16,992,798
■ STAT DED	\$-	\$-	\$379,658	\$1,385,265	\$-	\$-	\$-	\$-	\$-	\$-
■ FED	\$4,488,695	\$4,443,953	\$4,954,212	\$4,800,336	\$4,800,336	\$4,521,952	\$4,882,311	\$5,135,498	\$5,135,498	\$5,232,360



Employment Information

HCSD FTE Employees

Fiscal Year	HCSD Administration FTEs	Lallie Kemp RMC FTEs	Total FTEs
2020	52	366	418
2021	50	361	411
2022	49	359	408

As a component of Higher Education, HCSD does not have an official position count. Instead, the chart above reflects HCSD's full-time equivalent or **FTE** employees as of the first report in July of the fiscal year.

Employee Demographics	Total	%
Gender		
Female	309	76
Male	99	24
Race/Ethnicity		
White	254	62
Black	143	35
Asian	7	2
Indian	0	0
Hawaiian/Pacific	0	0
Hispanic	4	1
Currently in DROP or Eligible to Retire	84	21

Salaries and Related Benefits are listed below in Chart 1.

In Chart 2, benefits are broken out to show the portion paid for active versus retired employees. This is where payments for the Unfunded Accrued Liability (UAL) can be found.

1.

Personal Services	2020 Actual	2021 Actual	2022 EOB	2023 Recommended
Salaries	\$20,624,913	\$320,928,680	\$16,075,814	\$16,598,652
Other Compensation	\$0	\$0	\$0	\$0
Related Benefits	\$9,667,846	\$10,052,706	\$24,893,663	\$25,206,564
Total Personal Services	\$30,292,759	\$30,980,706	\$40,969,477	\$41,805,216

2.

Related Benefits FY23 Recommended	Total Funding	%
Total Related Benefits	\$25,206,564	
UAL payments	\$5,617,370	22%
Retiree Health Benefits	\$18,187,206	
Remaining Benefits*	\$1,401,988	

* Remaining Benefits include employer contribution to authorized positions' retirement, health, Medicare, FICA, Emoluments etc. The authorized positions include authorized T.O. positions and authorized other charges positions, both filled and vacant.

Includes \$17,531,818 in Legacy Retiree Health Benefits



FY23 Budget Adjustments

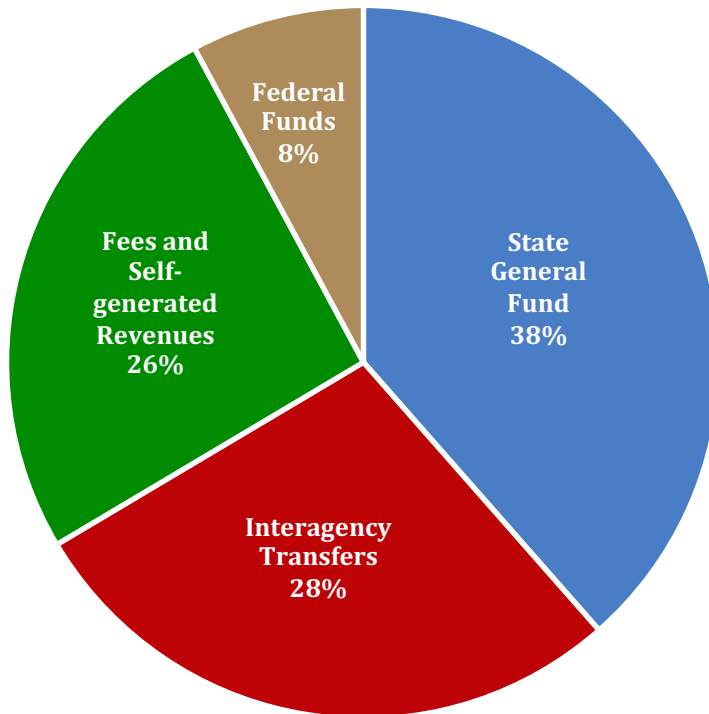
State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	EXPLANATION OF ADJUSTMENT
\$24,983,780	\$18,121,686	\$16,598,113	\$0	\$5,135,498	\$64,839,077	<i>FY22 Operating Budget (as of December 1, 2021)</i>
\$84,326	\$341,650	\$312,901	\$0	\$96,862	\$835,739	Market Rate Adjustment for Classified Personnel
\$467,700	\$0	\$81,784	\$0	\$0	\$549,484	Risk Management Premiums
\$2,077	\$0	\$0	\$0	\$0	\$2,077	Civil Service Fees
(\$11,076)	\$0	\$0	\$0	\$0	(\$11,076)	Legislative Auditor Fees
\$3,304	\$0	\$0	\$0	\$0	\$3,304	Office of State Procurement
\$546,331	\$341,650	\$394,685	\$0	\$96,862	\$1,379,528	<i>Total Statewide Standard Adjustments</i>
\$25,530,111	\$18,463,336	\$16,992,798	\$0	\$5,232,360	\$66,218,605	<i>Total Governor's Executive Budget Recommendations for FY23</i>

Of the FY23 total recommended funding of \$66.2 million, the funding for legacy costs totals \$21.1 million and for Lallie Kemp Regional Medical Center, \$45.1 million. HCSD will have to finance \$2.5 million of their projected legacy costs in FY23 out of their restricted accounts.



FY23 Means of Financing

FY23 Recommended Means of Financing



**Total -
\$66,218,605**

FY23 Revenue Sources

State General Fund (Direct) - \$25,530,111

General state revenues

Interagency Transfers - \$18,463,336

- Medicaid Uncompensated Care Costs Payments for the provision of inpatient and outpatient medical services to the medically indigent
- Payments for the provision of inpatient and outpatient medical services to Medicaid enrollees via the Fee-for-Service Medicaid program
- Funds transferred from the Department of Corrections for the costs of providing medical services to prisoners

Fees and Self-generated Revenues - \$16,992,798

- Payments for the provision of inpatient and outpatient medical services to Medicaid enrollees via the Medicaid managed care plans
- Private insurance/self-pay patient revenues
- Non-patient revenues from pharmacy processing fees, medical records processing fees, proceeds from hospital cafeterias, etc.

Federal Funds - \$5,232,360

Payments for medical services provided to Medicare enrollees

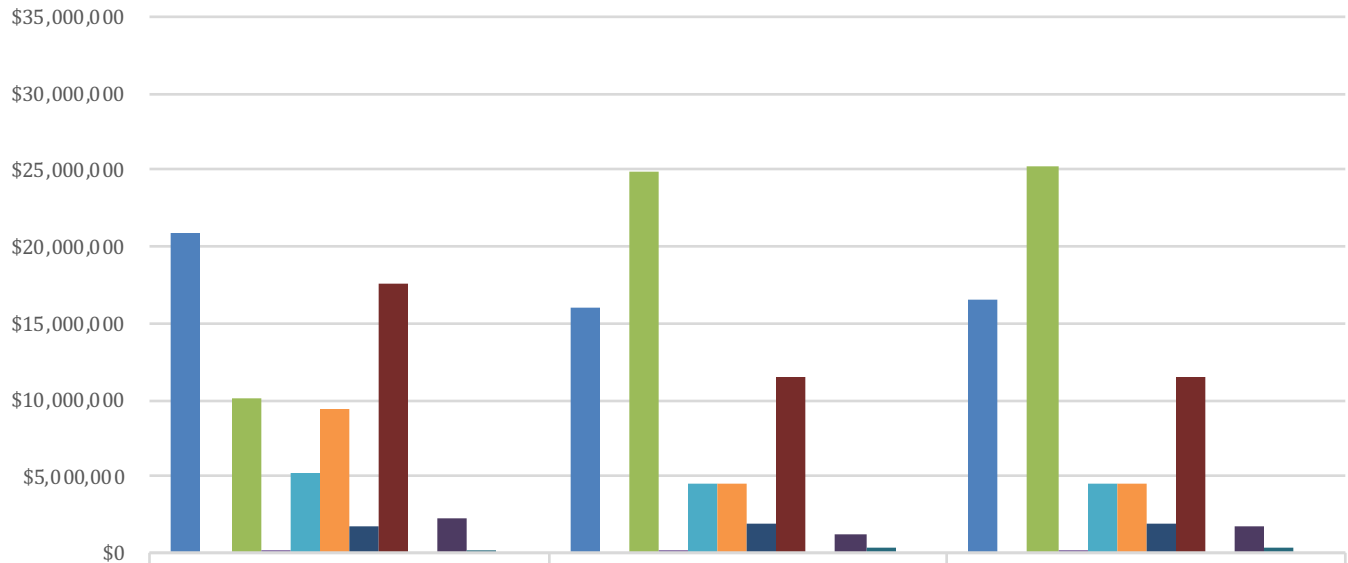


Categorical Expenditures FY21, FY22, and FY23

Categorical Expenditures – FY21, FY22, and FY23

For the FY23 Recommended Budget, Related Benefits is the largest single categorical expenditure, comprising approximately 38.1 percent of the recommended budget.

Further, Personal Services is the largest major expenditure category. Personal Services comprises approximately 63.1 percent of the total recommended expenditures for FY23.



Personal Services

- Salaries
- Other Compensation
- Related Benefits
- Travel

Operating Expenses

- Operating Services
- Supplies

Professional Services

- Professional Services
- Other Charges

Other Charges

- Debt Service
- Interagency Transfers

Acquisitions and Major Repairs

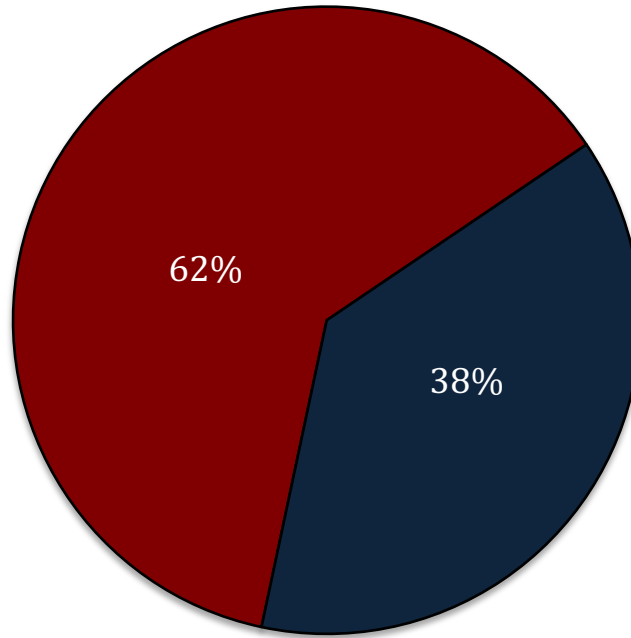
- Acquisitions
- Major Repairs



FY23 Discretionary/Non-Discretionary Comparison

FY23 Recommended Discretionary = \$41,171,631

- Discretionary SGF = \$3,272,016
- Discretionary IAT = \$16,143,544
- Discretionary F&SGR = \$16,691,650
- Discretionary STAT DEDS = \$0
- Discretionary FED = \$5,064,421



- Non-Discretionary SGF = \$22,258,095
- Non-Discretionary IAT = \$2,319,792
- Non-Discretionary FSGR = \$301,148
- Non-Discretionary STAT DEDS = \$0
- Non-Discretionary FED = \$167,939

FY23 Recommended Non-Discretionary = \$25,046,974

Total Non-Discretionary Funding by Type		
Constitutional Obligation	\$ 5,617,370	22.43%
Statutory Obligations	\$ 1,032,682	4.12%
Unavoidable Obligations	\$ 18,396,922	73.45%
Total Non-Discretionary	\$ 25,046,974	100%

Constitutional Obligation = State Retirement Systems Unfunded Accrued Liability (UAL)

Statutory Obligations = Provision of Health Care Services to Prisoners

Unavoidable Obligations = Retirees Group Insurance and Legislative Auditor Fees