



Louisiana Senate Finance Committee



Fiscal Year 2024-2025 Executive Budget Recommendations

19-610 – LSU Health Care Services Division LSU Public Private Partnership Hospitals

March 2024

*Senator Cameron Henry, President
Senator Glen Womack, Chairman*

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



LSU Health Care Services Division

The budget for the Health Care Services Division (HCSD) is composed primarily of the operating expenses of the one remaining LSU hospital – Lallie Kemp Regional Medical Center. In addition, funding for the legacy costs associated with the privatized HCSD hospitals is within HCSD's budget.



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



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

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

- Over 28,000 clinic visits and approximately 19,500 emergency department visits per year and
- Approximately 425 hospital admissions per year resulting in roughly 1,475 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 various partnerships.

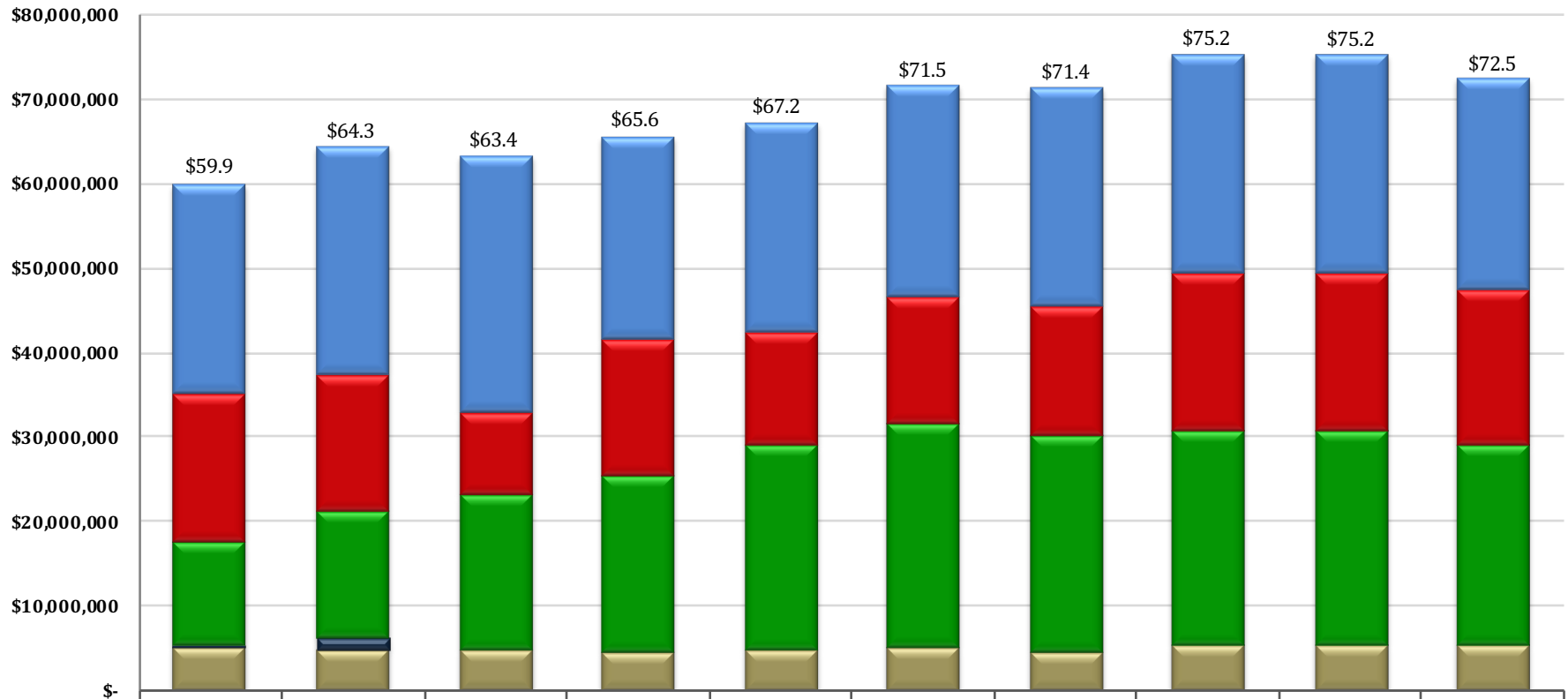


Budget History

Total Budget by Fiscal Year and Means of Finance

(in millions)

HCSD's total budget has grown by 21% from FY17 to FY25.
The average annual growth rate is 2.5%.



	FY17 Actuals	FY18 Actuals	FY19 Actuals	FY20 Actuals	FY21 Actuals	FY22 Actuals	FY23 Actuals	FY24 Enacted	FY24 as of 12/1/23	FY25 Recommended Budget
SGF	\$24,664,566	\$27,062,061	\$30,478,413	\$23,981,083	\$24,766,943	\$24,983,780	\$25,996,281	\$25,829,112	\$25,829,112	\$25,004,833
IAT	\$17,788,112	\$15,982,678	\$9,769,905	\$16,242,432	\$13,501,079	\$15,022,372	\$15,284,109	\$18,660,587	\$18,660,587	\$18,603,701
FSGR	\$12,149,617	\$15,098,202	\$18,332,900	\$20,817,468	\$24,090,518	\$26,562,473	\$25,556,672	\$25,378,952	\$25,378,952	\$23,575,560
STAT DED	\$379,658	\$1,385,265	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
FED	\$4,954,212	\$4,800,336	\$4,800,336	\$4,521,952	\$4,882,311	\$4,948,076	\$4,592,363	\$5,297,458	\$5,297,458	\$5,322,790



FY25 Recommended Budget Adjustments

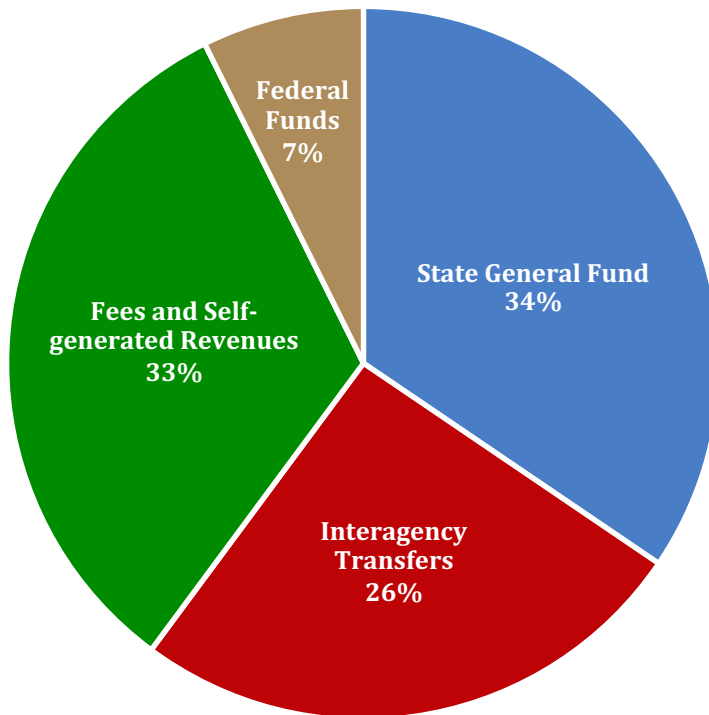
Governor's Executive Budget Recommendations for Fiscal Year 2024-2025						
SGF	IAT	FEES & SGR	STAT DEDS	FEDERAL FUNDS	TOTAL	EXPLANATION OF ADJUSTMENT
\$25,829,112	\$18,660,587	\$25,378,952	\$0	\$5,297,458	\$75,166,109	<i>FY24 Operating Budget (as of December 1, 2023)</i>
\$68,706	\$259,557	\$358,801	\$0	\$76,341	\$763,405	Market Rate Adjustment for Classified Personnel
(\$101,631)	(\$383,938)	(\$530,738)	\$0	(\$112,923)	(\$1,129,230)	Retirement Rate Adjustment
\$7,168	\$27,079	\$37,433	\$0	\$7,964	\$79,644	Group Insurance Adjustments for Active Employees
\$48,556	\$183,433	\$253,569	\$0	\$53,950	\$539,508	Group Insurance Adjustments for Retirees
(\$849,315)	(\$143,017)	(\$1,922,457)	\$0	\$0	(\$2,914,789)	Risk Management Premiums
\$6,753	\$0	\$0	\$0	\$0	\$6,753	Civil Service Fees
(\$2,956)	\$0	\$0	\$0	\$0	(\$2,956)	Legislative Auditor Fees
(\$1,560)	\$0	\$0	\$0	\$0	(\$1,560)	Office of State Procurement
(\$824,279)	(\$56,886)	(\$1,803,392)	\$0	\$25,332	(\$2,659,225)	<i>Total Statewide Standard Adjustments</i>
\$25,004,833	\$18,603,701	\$23,575,560	\$0	\$5,322,790	\$72,506,884	<i>Total Governor's Executive Budget Recommendations for FY25</i>

Of the FY25 total recommended funding of \$72.5 million, the funding for legacy costs totals \$18.1 million and for Lallie Kemp Regional Medical Center, \$54.4 million.



FY25 Recommended Means of Financing

FY25 Recommended Means of Financing



**Total –
\$72,506,884**

FY25 Revenue Sources

State General Fund (Direct) – \$25,004,833

General state revenues

Interagency Transfers – \$18,603,701

- 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 – \$23,575,560

- 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.

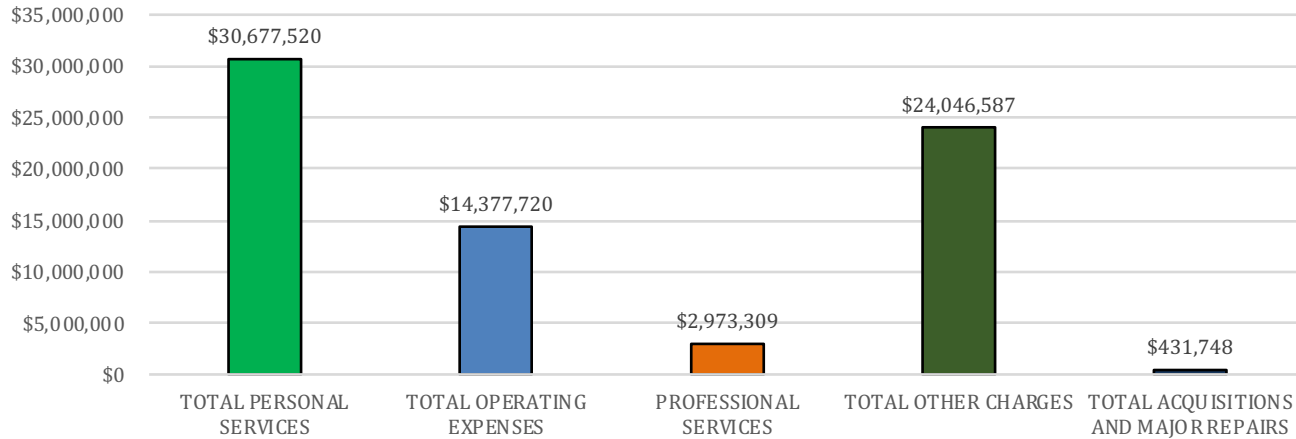
Federal Funds – \$5,322,790

Payments for medical services provided to Medicare enrollees



FY25 Recommended Categorical Expenditures

FY25 Recommended Expenditures



Personal Services is the largest major expenditure category, comprising approximately 42 percent of the division's total recommended expenditures for FY25.

The nearly \$3 million for Professional Services will be used for professional medical services contracts.

The \$22.1 million in Other Charges expenditures are payments for HCSD's retiree group insurance, to the LSU Health Sciences Center for medical services, and for other miscellaneous expenses.

The Interagency Transfers expenditures totaling \$1.9 million include \$1.1, million in payments to the Office of Risk Management; \$3,889 in Office of State Procurement Fees; \$186,414 for Legislative Auditor Fees; \$84,898 in Civil Service Fees and Comprehensive Public Training Program Fees; and \$544,063 for HCSD Main Office transfers to other agencies.

The funding for Acquisitions totaling \$431,748 is for the replacement of out-of-date and broken medical equipment.

CATEGORICAL EXPENDITURES	FY23 Actual	FY24 Enacted	FY24 EOB (as of 12/01/23)	FY25 Recommended	Difference FY25 Rec OVER/(UNDER) FY24 EOB	Percent Change
Salaries	\$19,455,674	\$20,750,602	\$20,750,602	\$21,241,159	\$490,557	2.4%
Other Compensation	\$0	\$0	\$0	\$0	\$0	0.0%
Related Benefits	\$8,952,439	\$9,673,591	\$9,673,591	\$9,436,361	(\$237,230)	-2.5%
TOTAL PERSONAL SERVICES	\$28,408,113	\$30,424,193	\$30,424,193	\$30,677,520	\$253,327	0.8%
Travel	\$1,450	\$12,291	\$12,291	\$12,291	\$0	0.0%
Operating Services	\$4,942,559	\$4,620,831	\$4,620,831	\$4,620,831	\$0	0.0%
Supplies	\$10,013,902	\$9,744,598	\$9,744,598	\$9,744,598	\$0	0.0%
TOTAL OPERATING EXPENSES	\$14,957,911	\$14,377,720	\$14,377,720	\$14,377,720	\$0	0.0%
PROFESSIONAL SERVICES	\$3,524,244	\$2,973,309	\$2,973,309	\$2,973,309	\$0	0.0%
Other Charges	\$21,255,059	\$22,119,231	\$22,119,231	\$22,119,231	\$0	0.0%
Debt Service	\$0	\$0	\$0	\$0	\$0	0.0%
Interagency Transfers	\$3,051,026	\$4,839,908	\$4,839,908	\$1,927,356	(\$2,912,552)	-60.2%
TOTAL OTHER CHARGES	\$24,306,085	\$26,959,139	\$26,959,139	\$24,046,587	(\$2,912,552)	-10.8%
Acquisitions	\$67,395	\$431,748	\$431,748	\$431,748	\$0	0.0%
Major Repairs	\$165,677	\$0	\$0	\$0	\$0	0.0%
TOTAL ACQ. & MAJOR REPAIRS	\$233,072	\$431,748	\$431,748	\$431,748	\$0	0.0%
TOTAL EXPENDITURES	\$71,429,424	\$75,166,109	\$75,166,109	\$72,506,884	(\$2,659,225)	-3.5%



Employment Information

HCSD FTE Employees

Fiscal Year	HCSD Administration FTEs	Lallie Kemp RMC FTEs	Total FTEs
2022	49	359	408
2023	45	333	378
2024	46	357	403

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

Employee Demographics	Total	%
Gender		
Female	328	74
Male	116	26
Race/Ethnicity		
White	296	67
Black	140	32
Asian	7	2
Indian	0	0
Hawaiian/Pacific	0	0
Hispanic	1	0
Currently in DROP or Eligible to Retire	86	19

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 also where payments for the Unfunded Accrued Liability (UAL) may be found.

1.	Personal Services	FY22 Actual	FY23 Actual	FY24 EOB	FY25 Recommended
	Salaries	\$21,684,542	\$19,455,674	\$20,750,602	\$21,241,159
	Other Compensation	\$0	\$0	\$0	\$0
	Related Benefits	\$10,153,017	\$8,952,439	\$9,673,591	\$9,436,361
	Total Personal Services	\$31,837,559	\$28,408,113	\$30,424,193	\$30,677,520

2.	Related Benefits FY24 Recommended	Total Funding	%
	Total Related Benefits	\$9,436,361	
	UAL payments	\$5,037,005	53%
	Retiree Health Benefits	\$1,079,758	
	Remaining Benefits*	\$3,319,598	

* Remaining Benefits include employer contributions to retirement, health insurance, Medicare, FICA, Emoluments, etc., for current employees.

In addition, HCSD's FY24 Recommended Budget contains \$15,201,491 under the Other Charges category for Legacy Retiree Health Benefits.



FY25 Discretionary/Non-Discretionary Comparison

FY25 Recommended Discretionary = \$48,504,817

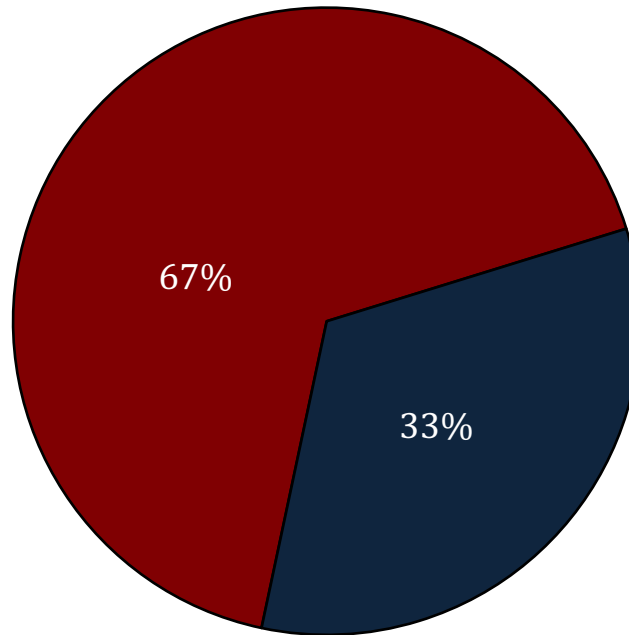
Discretionary SGF =
\$6,410,773

Discretionary IAT =
\$13,697,327

Discretionary F&SGR =
\$23,368,576

Discretionary STAT DEDS = \$0

Discretionary FED =
\$5,028,141



Non-Discretionary SGF =
\$18,594,060

Non-Discretionary IAT =
\$4,906,374

Non-Discretionary FSGR =
\$206,984

Non-Discretionary STAT DEDS
= \$0

Non-Discretionary FED =
\$294,649

FY25 Recommended Non-Discretionary = \$24,002,067

Total Non-Discretionary Funding by Type

Constitutional Obligation	\$ 5,037,005	20.99%
Statutory Obligations	\$ 2,497,399	10.40%
Unavoidable Obligations	\$ 16,467,663	68.61%
Total Non-Discretionary	\$ 24,002,067	100%

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

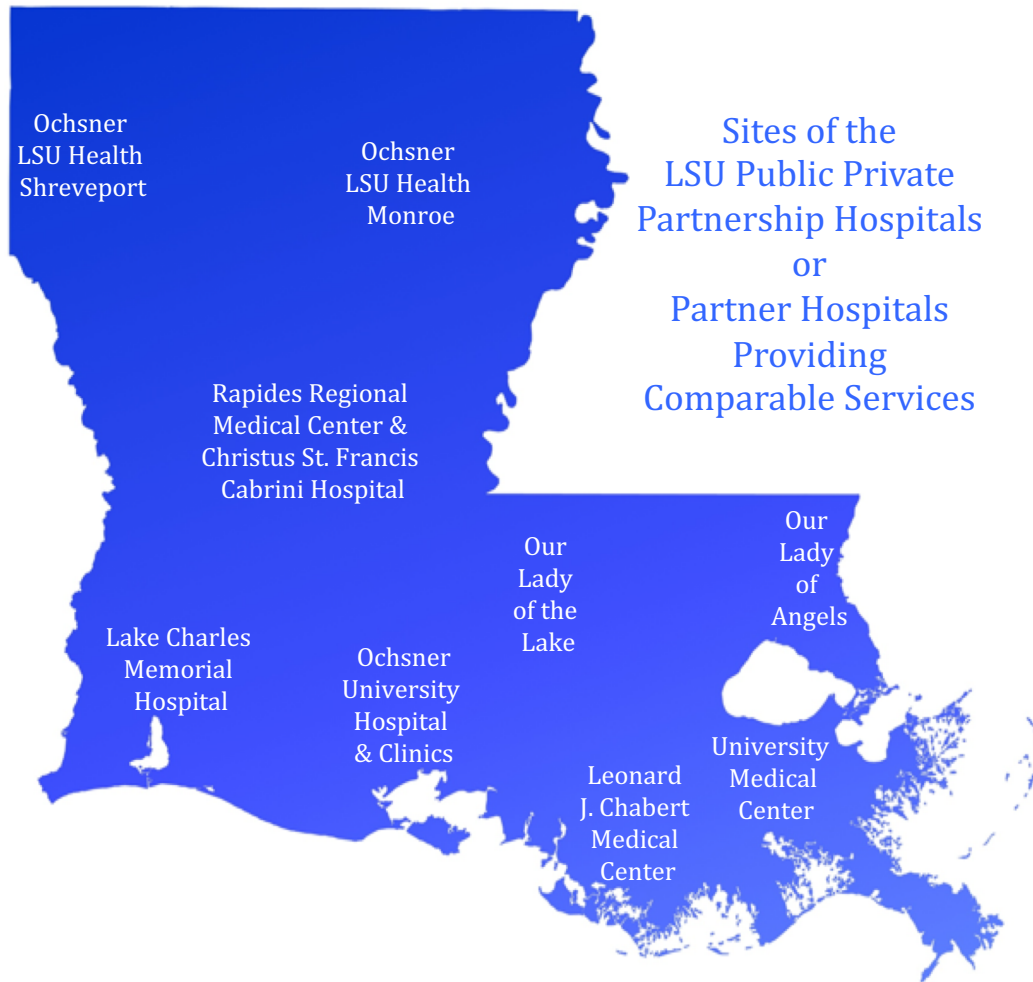
Statutory Obligations = Provision of Health Care Services to Prisoners

Unavoidable Obligations = Retirees Group Insurance (\$16,281,249) and Legislative Auditor Fees (\$186,414)

LSU Public Private Partnership Hospitals



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 financing for Medicaid fee-for-service and managed care as well as Uncompensated Care Costs payments to the PPP hospitals.

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.



Hospital Privatization Revenues and Costs

Revenues

The partners pay approximately \$145 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 FY25 total \$31.1 million:

- \$18.1 million for the Health Care Services Division and
- \$13 million for the Health Sciences Center in Shreveport.