

Representative Jim Fannin
Chairman



Representative Simone Champagne
Vice Chairman

FY 13-14 Executive Budget Review
HEALTH CARE SERVICES DIVISION

House Committee on Appropriations

by House Fiscal Division

March 26, 2013



Agenda

Budget Overview

- Department Structure 3
- Comparison to Total State Budget 6
- Means of Finance Comparison 7
- 10-Year Budget History 8
- Major Sources of Revenues 9
- Expenditure Breakdown 10
- Significant Budget Adjustments 11
- Discretionary/Non-Discretionary Funding 13
- Salaries and Positions 14
- Public Private Partnerships 18
- Lallie Kemp 25
- Prisoner Care 33
- Huey P. Long/E.A. Conway 34
- Contacts 36



Present Department Structure

- In FY 12-13, HCSD is composed of seven hospitals
 - Earl K. Long Regional Medical Center
 - Medical Center of Louisiana in New Orleans
 - University Medical Center in Lafayette
 - W.O. Moss Regional Medical Center
 - Leonard J. Chabert Regional Medical Center
 - Lallie Kemp Regional Medical Center
 - Washington-St. Tammany Regional Medical Center



Future Department Structure

- For FY 13-14, HCSD will be reduced to one budgetary unit – the Lallie Kemp Regional Medical Center
- At this time Lallie Kemp is not anticipated to enter into a public/private partnership
- All other functions of the HCSD hospitals will be moved off-budget



Hospitals in Addition to HCSD

LSU Health Sciences Center in Shreveport

- In FY 12-13, the LSU HSC in Shreveport operates three hospitals
 - LSU Hospital in Shreveport
 - E.A. Conway Medical Center
 - Huey P. Long Medical Center

These hospitals are also going to be operated as public-private partnerships



Comparison to Total State Budget FY 13-14

Means of Finance	Health Care Services Division	Total State Budget	% of Total State Budget
State General Fund	\$3,860,659	\$8,225,500,000	0.0%
Interagency Transfers	\$31,889,668	\$1,994,155,707	1.6%
Fees and Self-gen. Rev.	\$4,334,389	\$3,492,386,577	0.1%
Statutory Dedications	\$0	\$4,161,779,605	0.0%
Federal Funds	\$4,800,336	\$10,237,571,671	0.0%
TOTAL MOF	\$44,885,052	\$28,111,393,560	0.2%
Authorized Positions	331	56,339	0.6%



Means of Finance

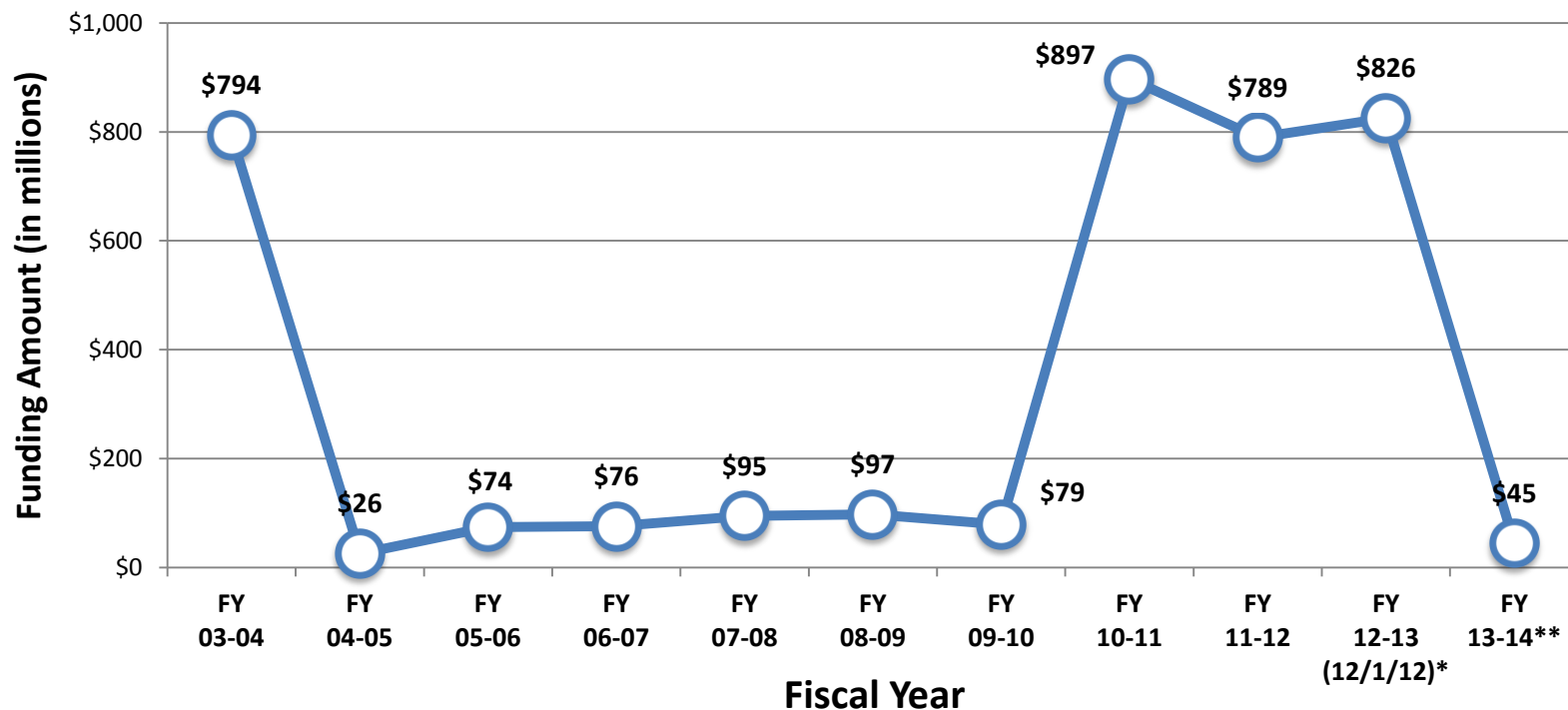
Means of Finance	Actual Expenditures FY 11-12	Existing Operating Budget FY 12-13 (12/1/12)	Executive Budget Recommended FY 13-14	Change from FY12-13 to FY13-14	Percent Change from FY12-13 to FY13-14
State General Fund	\$64,296,464	\$29,261,831	\$3,860,659	(\$25,401,172)	(86.8%)
Interagency Transfers	\$591,473,799	\$548,393,931	\$31,889,668	(\$516,504,263)	(94.2%)
Fees and Self-Gen Rev	\$66,799,358	\$128,516,746	\$4,334,389	(\$124,182,357)	(96.6%)
Statutory Dedications	\$0	\$35,000,000	\$0	(\$35,000,000)	(100.0%)
Federal Funds	\$66,653,785	\$84,347,612	\$4,800,336	(\$79,547,276)	(94.3%)
TOTAL	\$789,223,406	\$825,520,120	\$44,885,052	(\$780,635,068)	(94.6%)
Authorized Positions	6,929	6,329	331	(5,998)	(94.8%)

- All of the HCSD Hospitals are moving off budget with the exception of the Lallie Kemp Regional Medical Center. The new entities will be operated by public-private partnerships
- Certain administrative functions will be paid for by DHH. These costs will be described later in the presentation
- Funding from the proposed sale of the New Orleans Adolescent Hospital has been removed



10-Year Budget History

LSU HEALTH CARE SERVICES DIVISION (Total Means of Finance)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/12

**Governor's Executive Budget Recommendation



Major Sources of Revenues FY 13-14

State General Fund- \$3.9 million

- Direct State General Fund

Interagency Transfers - \$31.9 million

- Medicaid Funding from the Department of Health and Hospitals

Self-generated Revenues - \$4.3 million

- Private Pay Insurance Proceeds

Federal Funds - \$500,000

- Federal Funds Direct



Expenditure Breakdown

Means of Finance	Actual Expenditures FY 11-12	Existing Operating Budget FY 12-13 (12/1/12)	Executive Budget Recommended FY 13-14	Change from FY12-13 to FY13-14	Percent Change from FY12-13 to FY13-14
Salaries	\$315,842,302	\$317,182,528	\$17,753,728	(\$299,428,800)	(94.4%)
Other Compensation	\$19,423,814	\$0	\$0	\$0	0.0%
Related Benefits	\$115,414,975	\$122,060,246	\$6,480,665	(\$115,579,581)	(94.7%)
Travel	\$197,886	\$265,048	\$11,070	(\$253,978)	(95.8%)
Operating Services	\$67,867,973	\$85,616,246	\$3,439,953	(\$82,176,293)	(96.0%)
Supplies	\$129,914,480	\$138,369,805	\$5,805,338	(\$132,564,467)	(95.8%)
Prof Srvcs	\$43,264,880	\$46,450,782	\$1,333,085	(\$45,117,697)	(97.1%)
Other Charges	\$95,524,462	\$113,368,850	\$9,680,755	(\$103,688,095)	(91.5%)
Acq/Major Repairs	\$1,772,634	\$2,206,615	\$380,458	(\$1,826,157)	(82.8%)
Unallotted	\$0	\$0	\$0	\$0	0.0%
TOTAL EXP	\$789,223,406	\$825,520,120	\$44,885,052	(\$780,635,068)	(94.6%)

Other Charges

- Contracts for physician services for Lallie Kemp.



Significant Adjustments

Moves funding from the Earl K Long Hospital off-budget

(\$7,446,645) SGF | (\$84,212,673) IAT | (\$12,153,527) SGR | (\$8,906,912) SD | (\$8,330,988) FED | **TOTAL (\$121,050,745)**

Moves funding from the University Medical Center off-budget

(\$2,497,141) SGF | (\$71,166,114) IAT | (\$12,479,972) SGR | (\$2,986,824) SD | (\$12,093,611) FED | **TOTAL (\$101,223,662)**

Moves funding from the W.O. Moss Regional Medical Center off-budget

(\$3,438,649) SGF | (\$24,647,537) IAT | (\$7,259,328) SGR | (\$4,112,960) SD | (\$3,175,001) FED | **TOTAL (\$42,633,475)**

Moves funding from the Washington-St. Tammany Regional Medical Center off-budget

(\$2,075,479) SGF | (\$32,960,382) IAT | (\$11,149,316) SGR | (\$2,482,475) SD | (\$10,962,334) FED | **TOTAL (\$59,629,986)**

Moves funding from the Leonard J. Chabert Regional Medical Center off-budget

(\$2,087,733) SGF | (\$61,781,116) IAT | (\$12,524,452) SGR | (\$2,497,132) SD | (\$14,349,922) FED | **TOTAL (\$93,240,355)**

Moves funding from the Medical Center of Louisiana at New Orleans off-budget

(\$9,761,165) SGF | (\$246,902,095) IAT | (\$44,501,318) SGR | (\$11,675,304) SD | (\$30,513,457) FED | **TOTAL (\$343,353,339)**



Significant Adjustments Contd

Increases funding for Lallie Kemp Regional Medical Center - per the supporting document

\$1,905,640	SGF	\$5,165,654	IAT	(\$110,125)	SGR	(\$2,338,393)	SD	(\$121,963)	FED	TOTAL	\$4,500,813
-------------	-----	-------------	-----	-------------	-----	---------------	----	-------------	-----	--------------	--------------------

Moves funding from the Executive Administration and General Support off-budget

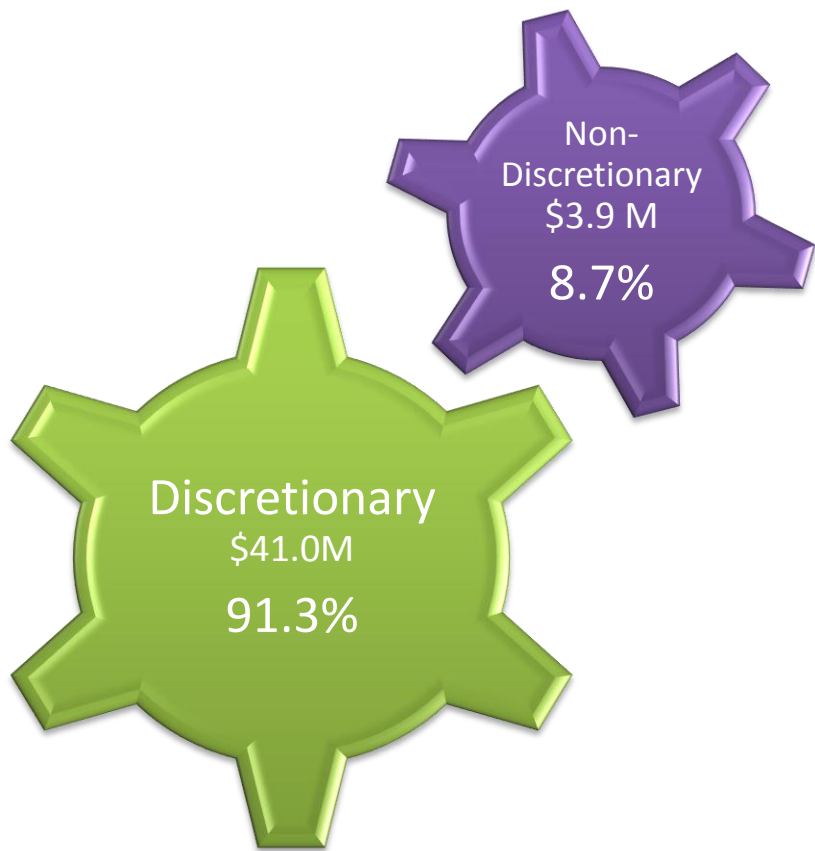
\$0	SGF	\$0	IAT	(\$24,004,319)	SGR	\$0	SD	\$0	FED	TOTAL	(\$24,004,319)
-----	-----	-----	-----	----------------	-----	-----	----	-----	-----	--------------	-----------------------



Discretionary/Nondiscretionary Funding in FY 13-14

Executive Budget

Health Care Services Division
Total Budget
\$44.9 million



Category	Nondiscretionary IAT Amount
Constitutionally Required	\$0
Court Orders	\$0
Debt Service	\$0
Federal Mandate	\$0
Statutory Obligation	\$3,216,696
Legislative Discretion	\$0
Unavoidable Obligations	\$701,634
TOTAL	\$3,918,330



FY 13-14 Lallie Kemp Salaries and Positions

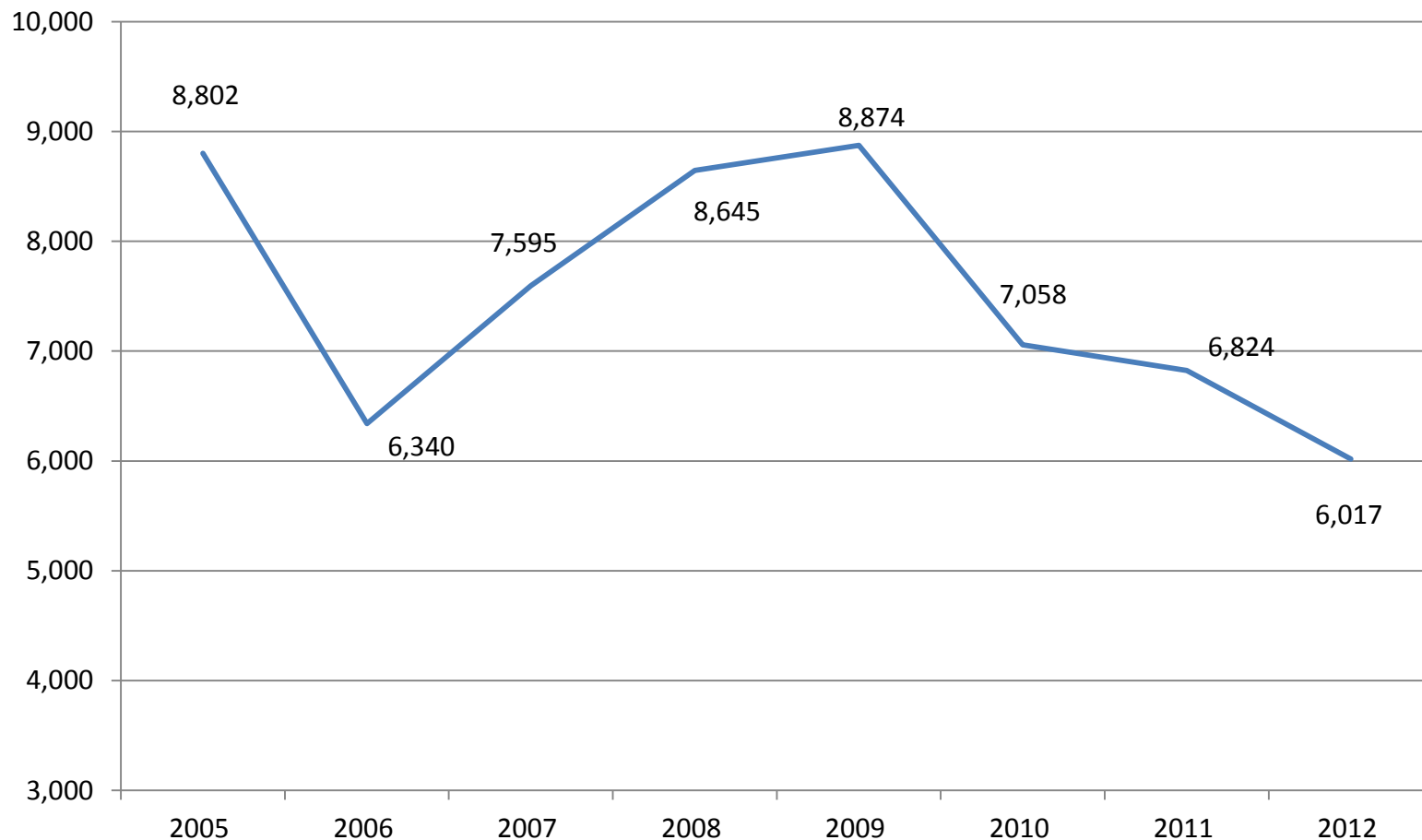
- \$17.75 million for Salaries and Other Compensation
- \$6.5 million for Related Benefits
- Total Personnel Services = \$24.2 million, 54% of the Health Care Services Division total Executive Budget Recommendation

- 331 Authorized Positions (331 classified)
- 0 Full-time non-TO positions



Historical Salaries and Positions

TOTAL FULL-TIME EQUIVALENT (FTE) POSITIONS

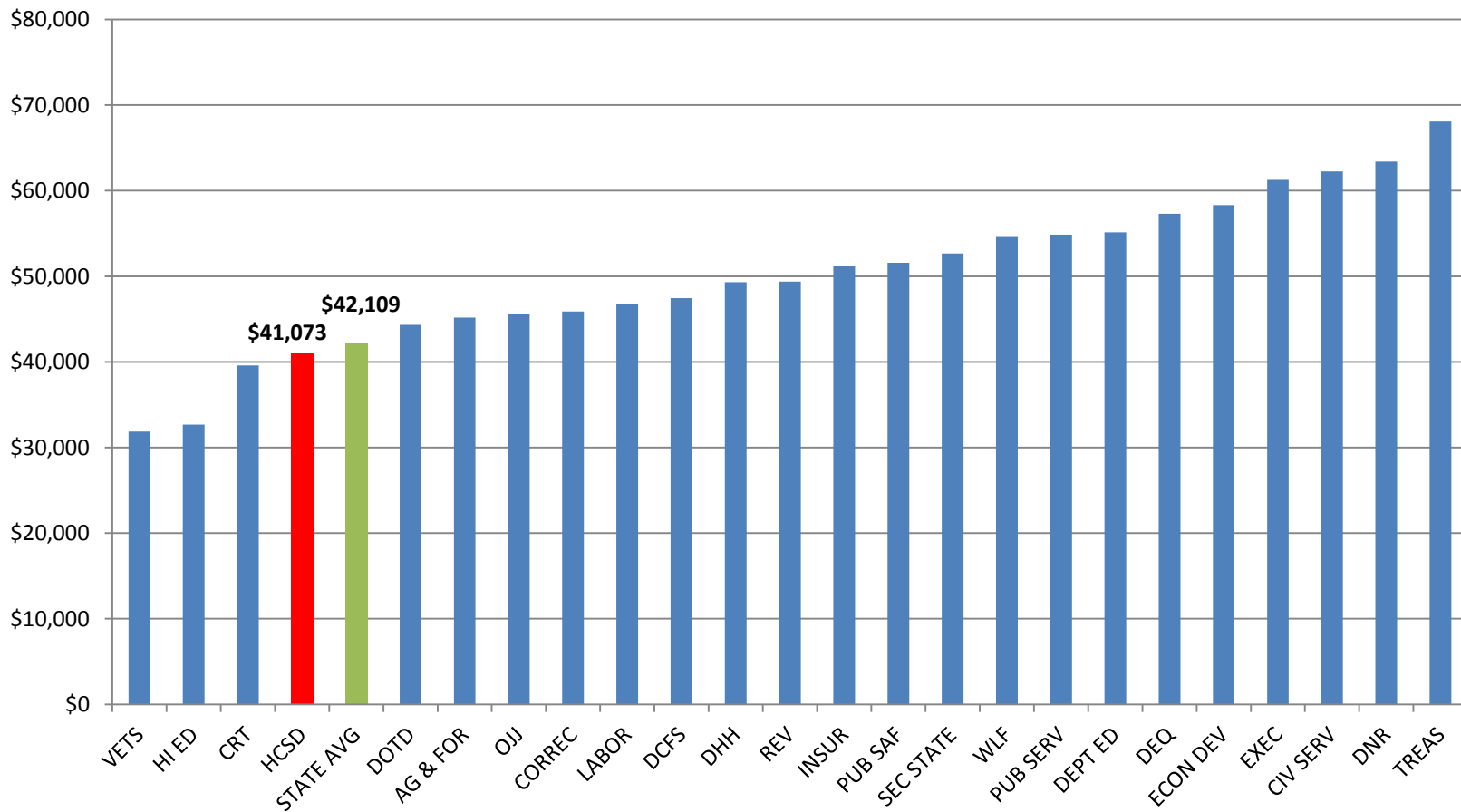


Source: Prepared by House Fiscal Division staff using information from ISIS-HR



Historical Salaries and Positions

CLASSIFIED AVERAGE ANNUAL PAY PER FTE

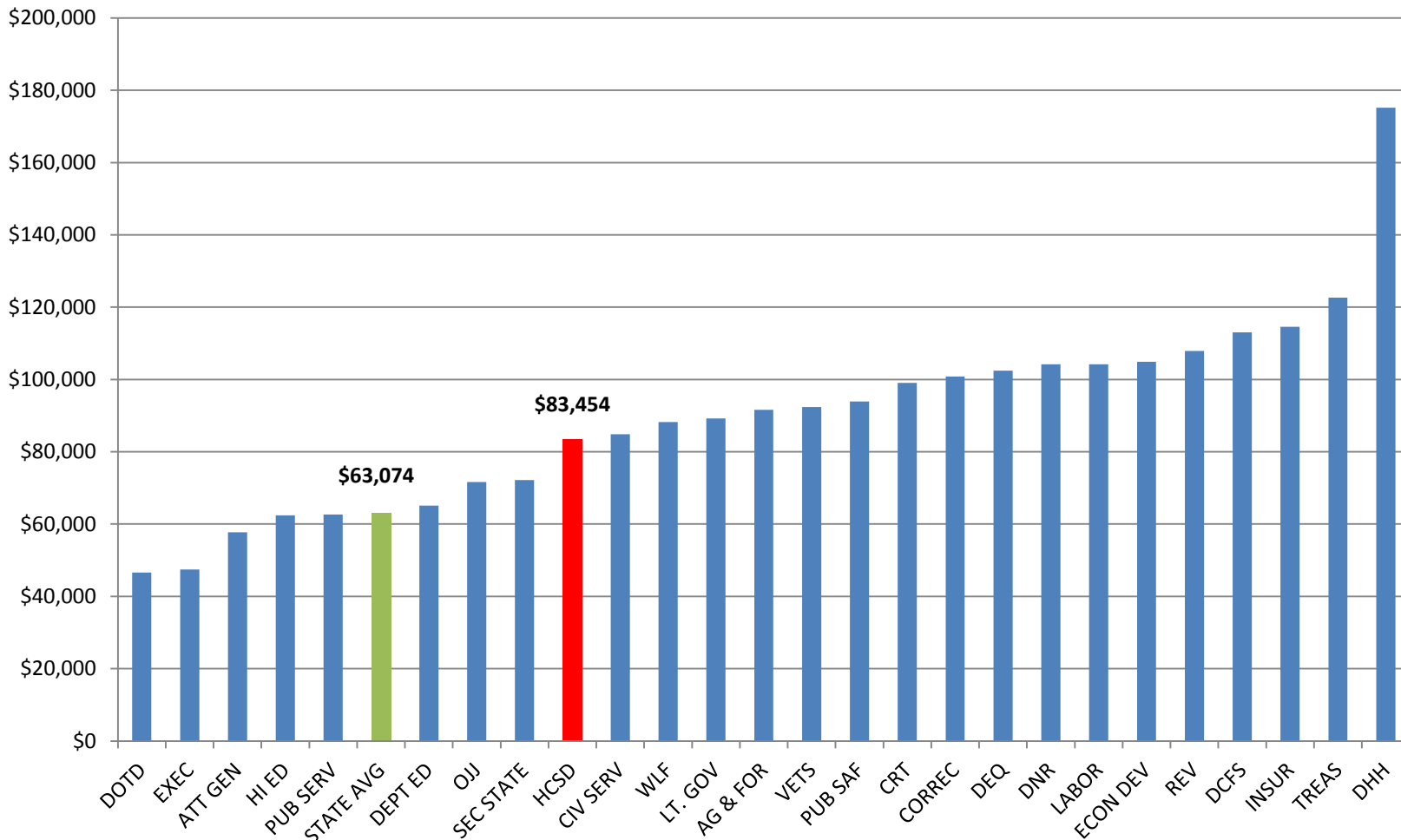


Source: Prepared by House Fiscal Division staff using information from ISIS-HR and Civil Service



Salaries and Positions

UNCLASSIFIED AVERAGE ANNUAL PAY PER FTE



Source: Prepared by House Fiscal Division staff using information from ISIS-HR and Civil Service



The Executive Budget Documents and HB 1 change the charity hospital model from a state operated system to separate entities that will be run by private partners in conjunction with the state. The remainder of this presentation gives an update on the new model on which the former charity hospitals will operate, including:

- Current Status
- Jobs and Costs
- Graduate Medical Education



Current Status



Public/Private Partnerships (PPPs)

- In FY 13-14, all of the former Charity Hospitals in South Louisiana, plus Huey P. Long in Central Louisiana, will no longer be operated by the state. Instead, they will be operated by private entities through PPPs.
- The funding for these partnerships will come directly from the Department of Health and Hospitals and will be paid to the private operators.
- The funding source for the PPPs will be a combination of Medicaid, Upper Payment Limit (UPL), and Private Pay Insurance.



Public/Private Partnerships (PPPs)

- These PPPs will depend on Cooperative Endeavor Agreements that outline the responsibilities of each of the partners.
- With the exception of the Earl K. Long (EKL) and (Our Lady of the Lake OLOL) partnership, none of the other hospitals are in the final stages of negotiation of the Cooperative Endeavor Agreements.



Timeframe

- Cooperative Endeavor Agreements should come before the Joint Legislative Committee on the Budget.
- More information on these agreements should be available in April. The DOA, DHH and HCSD would like to finalize the agreements so the hospitals can stay open with no loss of service in FY 13-14.
- Other states operate Graduate Medical Education without a formal charity hospital system.



What We Don't Know

- The level of services these new entities will deliver.
- How much they will ultimately cost?
- How many current employees will ultimately be reemployed?
- Accurately understand the short and long term effects on GME.



Why Lallie Kemp Stays Open

- Lallie Kemp presently has no anticipated Cooperative Endeavor Agreement because no private partner could be found with interest in operating the facility as a hospital.
- No private partner could be found with interest to provide in-patient prisoner care.
- Lallie Kemp is the only hospital in the region that provides cancer care for indigent patients.



PPPs– EKL/OLOL

- The Earl K. Long and Our Lady of the Lake private partnership now has an amended Cooperative Endeavor Agreement in place to accelerate the timeline from November 2013 to April 2013.
- OLOL will be able to operate clinics with the amended CEA as well as inpatient operations.



Jobs and Costs



Jobs- PPPs

- A total of approximately 6,000 state jobs will be eliminated as a result of these partnerships.
- The private partners have no legal obligation to hire the former state workers, but it is anticipated that some of these workers will be retained.



Jobs - EKL/OLOL

- March 8th, 2013 - Notices were sent to employees (required before layoffs)
- April 2nd, 2013 – Scheduled Civil Service presentation (required before layoffs)
- April 15, 2013 - The Graduate Medical Education programs based at the EKL will move and inpatient and outpatient clinic services will be provided by OLOL, and EKL will cease operations



GME- PPPs

- Graduate Medical Education (GME) will be retained in the new arrangement but some functions of GME could be expected to be outsourced to other private health care institutions.
- LSU Health Sciences Center in New Orleans anticipates receiving a contract to provide physician services in some of these facilities.
- Less information is available for LSU Health Science Center in Shreveport.



PPPs- Administrative Costs For All Hospitals (Off-budget)

ADMINISTRATIVE COSTS

• Accountable Care	\$16.4 million
• Business Operations	\$ 7.6 million
• IT Services	\$23.5 million
• Billing Services	\$ 3.8 million
• Unemployment	\$13.0 million
• Retiree Group Benefits	\$26.4 million
• BMC Bond Payment	<u>\$ 1.1 million</u>
Total Admin Costs	\$91.8 million

Number of employees 179



PPPs– Provider Services for all Off Budget Hospitals

Type of Cost	Amount (in millions)	Staff
Administrative	\$91.8	179
Physician Contracts	\$74.1	125
Other Charges	\$21.9	0
TOTAL MOF	\$188	304

These funds and positions will decrease over time as the transition is fully implemented.



Costs for Prisoner Care

- Prisoner care for inmates in the Department of Corrections (DOC) custody are directed to the Charity Hospital system by R.S. 15:831 (A) unless additional care is needed outside the system.
- For FY 13-14, DOC has been allocated \$50 million in State General Fund to pay for prisoner care.



Other Hospitals



Huey P. Long/E.A Conway

Huey P. Long and E.A. Conway are hospitals in the LSU Health Sciences Center Shreveport System.

- All funding has been removed and the DOA anticipates a public-private partnership will operate the hospitals.
- More information will be available when the Board of Regents releases the funding formula.



Department Contacts

AGENCY	Agency Head	Phone
Office of the President, LSU System	Willam Jenkins, Interim	225-578-2111
Ex. VP of Health Care and Medical Education	Frank Opelka, M.D. FACS	504-568-4769
Office of the Secretary, DHH	Bruce Greenstein/Jerry Phillips	225-342-9503