

Representative Jim Fannin
Chairman



Representative Simone Champagne
Vice Chairman

FY 14-15 Executive Budget Review
LOUISIANA STATE UNIVERSITY HEALTH SCIENCE CENTER
HEALTH CARE SERVICES DIVISION

House Committee on Appropriations

By the House Fiscal Division

April 1, 2014



Agenda

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Department Structure

LSU Health Care Services Division – 2013-14

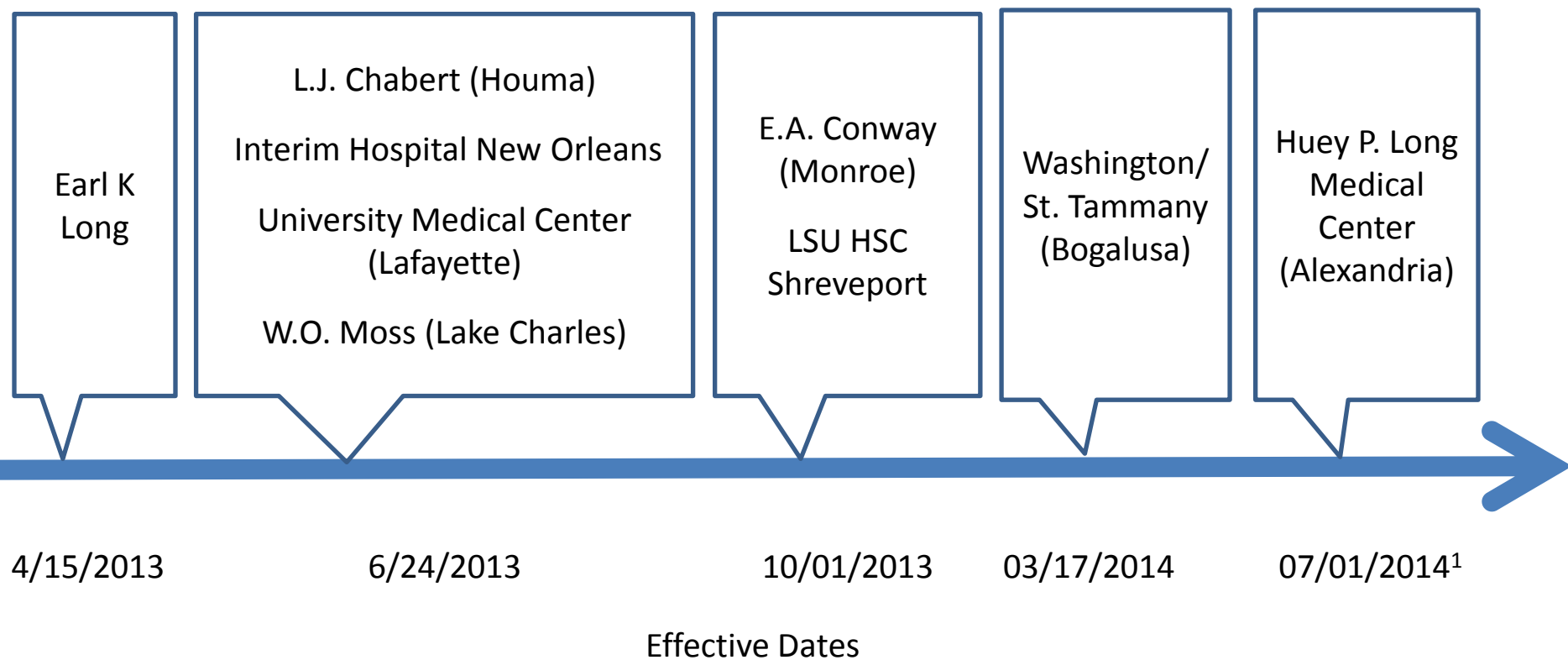
- Executive Administration and General Support
- Lallie Kemp Regional Medical Center
- W.O. Moss Regional Medical Center
- Washington-St. Tammany Regional Medical Center (Bogalusa)

LSU Health Care Services Division – 2014-15

- Executive Administration and General Support
- Lallie Kemp Regional Medical Center



Transition Dates of Hospitals



¹ Tentative



Public/Private Partnerships

Health Care Services Hospital

Private Hospital Partner

Earl K. Long Regional Medical Center (Baton Rouge)	Our Lady of the Lake (LOL)
Medical Center of Louisiana (New Orleans)	Children's Hospital and University Medical Center Management Corporation
University Medical Center (Lafayette)	Lafayette General Health System and University Hospitals and Clinic (UHC)
W.O. Moss Regional Medical Center (Lake Charles)	Southwest Louisiana Hospital Association (SLHA) d/b/a Lake Charles Memorial Hospital (LCMH)
Leonard J. Chabert Regional Medical Center (Houma)	Southern Regional Medical Corporation; Hospital Service District #1 of Terrebonne Parish; and Ochsner Health System
Lallie Kemp Regional Medical Center (Independence)	<i>no partnership</i>
Washington-St. Tammany Regional Medical Center (Bogalusa)	(Franciscan Missionaries of) Our Lady of the Lake Ascension Community Health System; new entity: Our Lady of Angels



Hospitals in Addition to HCSD

LSU Hospitals in Public/Private Partnerships




Health Care Services Hospital	Private Hospital Partner
Health Sciences Center Shreveport Hospital	Biomedical Research Foundation of Northwest Louisiana and BRF hospital Holdings, L.L.C.
E. A. Conway Medical Center	Biomedical Research Foundation of Northwest Louisiana and BRF hospital Holdings, L.L.C.
Huey P. Long Medical Center	CHRISTUS Health Central Louisiana and Rapides Healthcare System



Means of Finance

Means of Finance	FY 12-13 Actual Revenues	FY 13-14 Existing Operating Budget (12/1/13)	FY 14-15 Executive Budget Recommended	Change from FY 13-14 to FY 14-15	Percent Change from FY 13-14 to FY 14-15
State General Fund	\$19,261,831	\$7,612,504	\$3,860,659	(\$3,751,845)	(49.3%)
Interagency Transfers	\$324,212,648	\$55,403,076	\$30,589,668	(\$24,813,408)	(44.8%)
Fees and Self-Gen Rev	\$104,566,228	\$11,723,879	\$81,773,639	\$70,049,760	597.5%
Statutory Dedications	\$312,000,000	\$20,000,000	\$0	(\$20,000,000)	(100.0%)
Federal Funds	\$74,212,868	\$18,219,006	\$4,800,336	(\$13,418,670)	(73.7%)
TOTAL	\$834,253,575	\$112,958,465	\$121,024,302	\$8,065,837	7.1%
Authorized Positions	6,329	331	331	0	0.0%

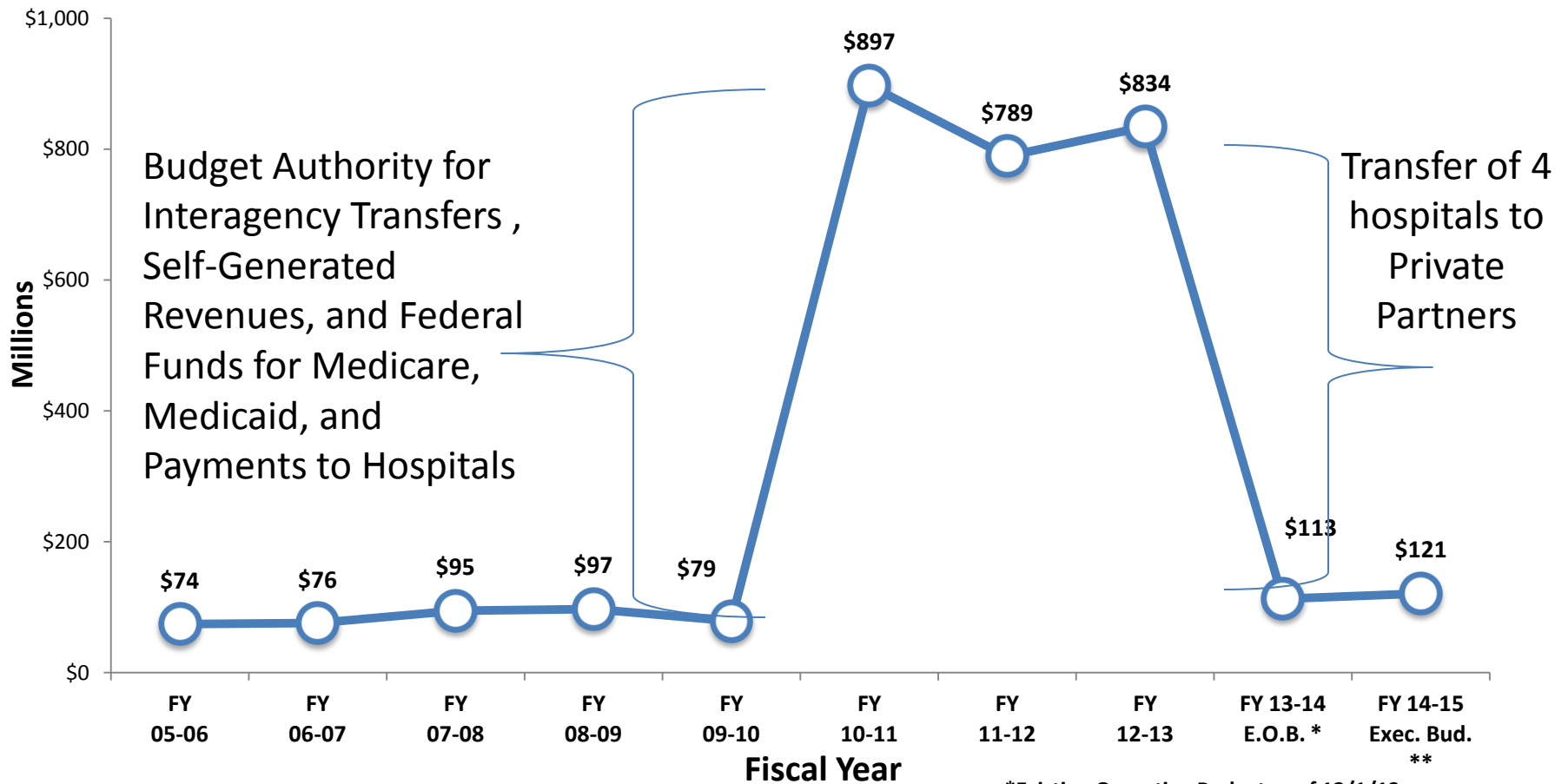
Significant Adjustments:

Interagency Transfers Federal Funds State General Fund <ul style="list-style-type: none"> Eliminate funding for W.O. Moss and Bogalusa. 	Statutory Dedications <ul style="list-style-type: none"> Elimination of Termination Pay appropriation in FY 13-14 from Overcollections Fund 	Self-Generated <ul style="list-style-type: none"> Transfer of HCSD Administration program back on-budget 	Authorized Positions <ul style="list-style-type: none"> No change Only Lallie Kemp has authorized positions
\$42M 	\$20M 	\$70.9M 	0 T.O.



10-Year Budget History

LSU HEALTH CARE SERVICES DIVISION (Total Funding)



Source: Executive Budget Supporting Documents

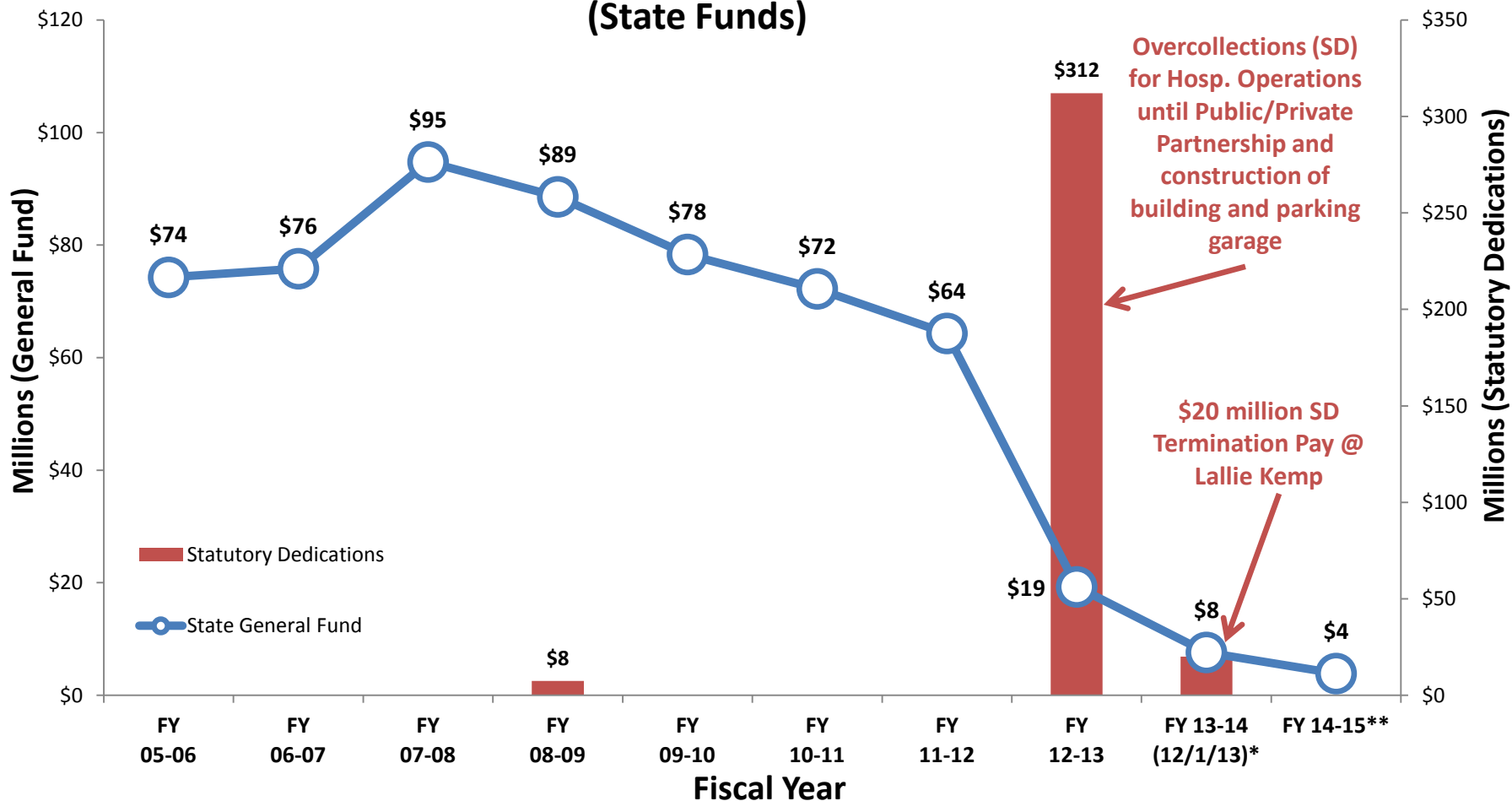
*Existing Operating Budget as of 12/1/13

**Governor's Executive Budget Recommendation



10-Year Budget History

LSU HEALTH CARE SERVICES DIVISION (State Funds)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/13

**Governor's Executive Budget Recommendation



Major Sources of Revenues FY 14-15

Self-Generated Revenues - \$81.8 million

- Hospital Commercial Self/Private Pay Insurance Proceeds
- HCSD Administration reserves and payments from hospital contracts for transitional service agreements including patient billing, contract monitoring associated with partners, medical records, financial reporting, and clinical applications associated with HCSD Administration program being transferred back "on-budget".
- Last year, these funds were moved "off-budget" and the recommended budget moves these charges back "on-budget".

Interagency Transfers - \$30.6 million

- Medicaid & Uncompensated Care Cost from the Department of Health and Hospitals

Federal Funds - \$4.8 million

- Medicare



Expenditure Breakdown

Expenditures	FY 12-13 Actual Expenditures	FY 13-14 Existing Operating Budget (12/1/13)	FY 14-15 Executive Budget Recommendation	Change from FY 13-14 to FY 14-15	Percent Change from FY 13-14 to FY 14-15
Salaries	\$269,570,277	\$67,170,582	\$17,832,154	(\$49,338,428)	(73.5%)
Other Compensation	\$20,881,611	\$0	\$0	\$0	0.0%
Related Benefits	\$104,118,031	\$13,361,086	\$6,402,241	(\$6,958,845)	(52.1%)
Travel	\$141,366	\$12,292	\$12,292	\$0	0.0%
Operating Services	\$60,382,559	\$9,131,575	\$3,604,042	(\$5,527,533)	(60.5%)
Supplies	\$106,079,702	\$11,327,760	\$5,640,026	(\$5,687,734)	(50.2%)
Prof Services	\$41,442,041	\$1,333,084	\$1,333,084	\$0	0.0%
Other Charges	\$231,373,432	\$10,241,628	\$85,820,005	\$75,578,377	738.0%
Acq/Major Repairs	\$264,556	\$380,458	\$380,458	\$0	0.0%
Unallotted	\$0	\$0	\$0	\$0	0.0%
TOTAL EXP	\$834,253,575	\$112,958,465	\$121,024,302	\$8,065,837	7.1%

Personal Services

- Salary and Related Benefits decrease from W.O. Moss and Bogalusa Medical Centers moving to private partners (\$36.3 million). Twenty million reduction in salaries is the elimination of termination pay at Lallie Kemp funded last fiscal year from Overcollections Fund.

Professional Services

- Contract for legal services, cleaning services, maintenance for safety programs, and medical services for physicians

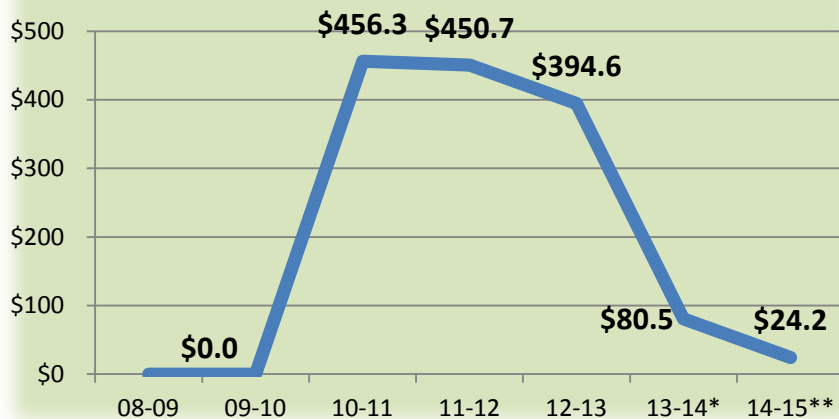
Other Charges

- Medical services provided by the LSU Health Sciences Center and other miscellaneous expenses. The large increase is the transfer of HCSD Administration operations back on-budget. This provides authority for general operating expenditures, support services, and legacy costs associated with the partnerships.

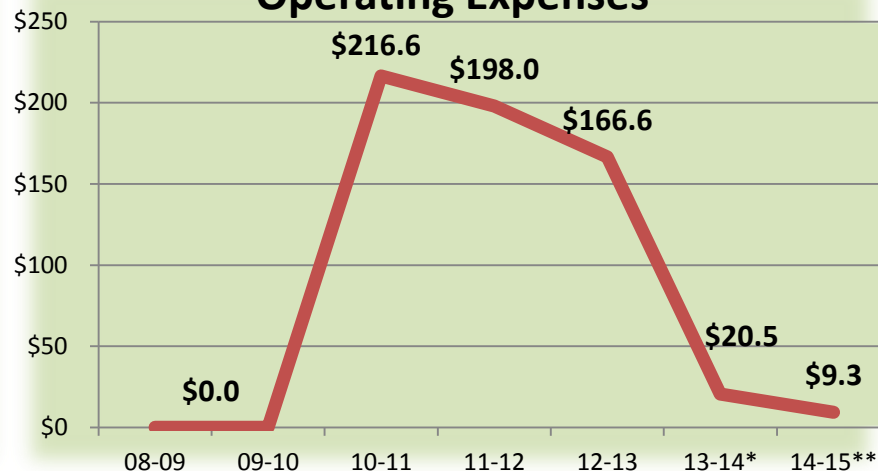


7-Year Expenditure History (in millions)

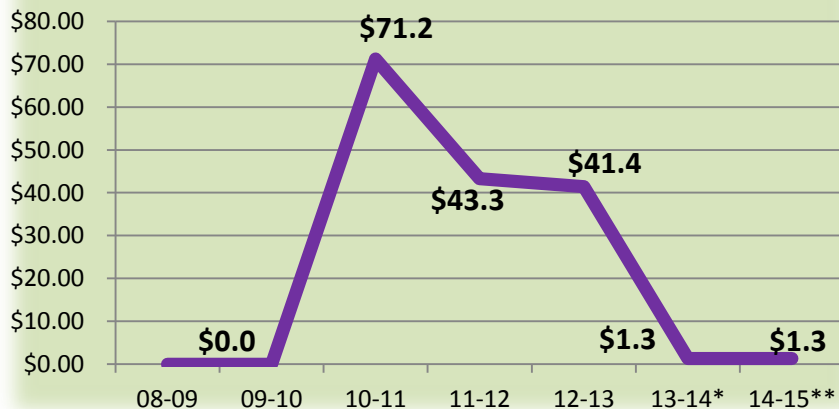
Personal Services



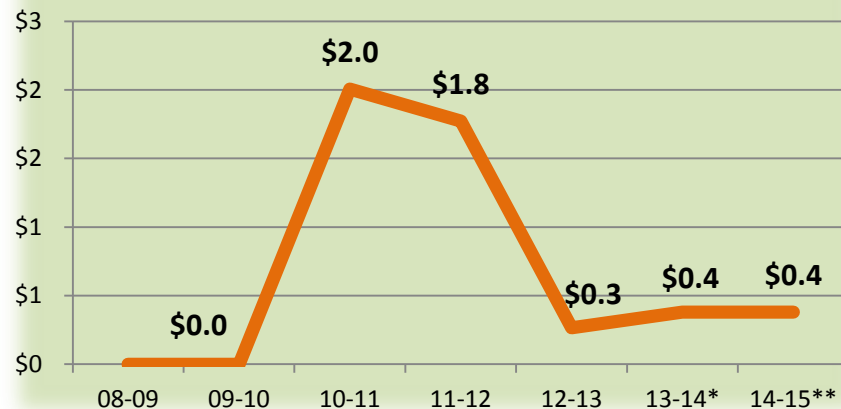
Operating Expenses



Professional Services



Acquisitions & Major Repairs



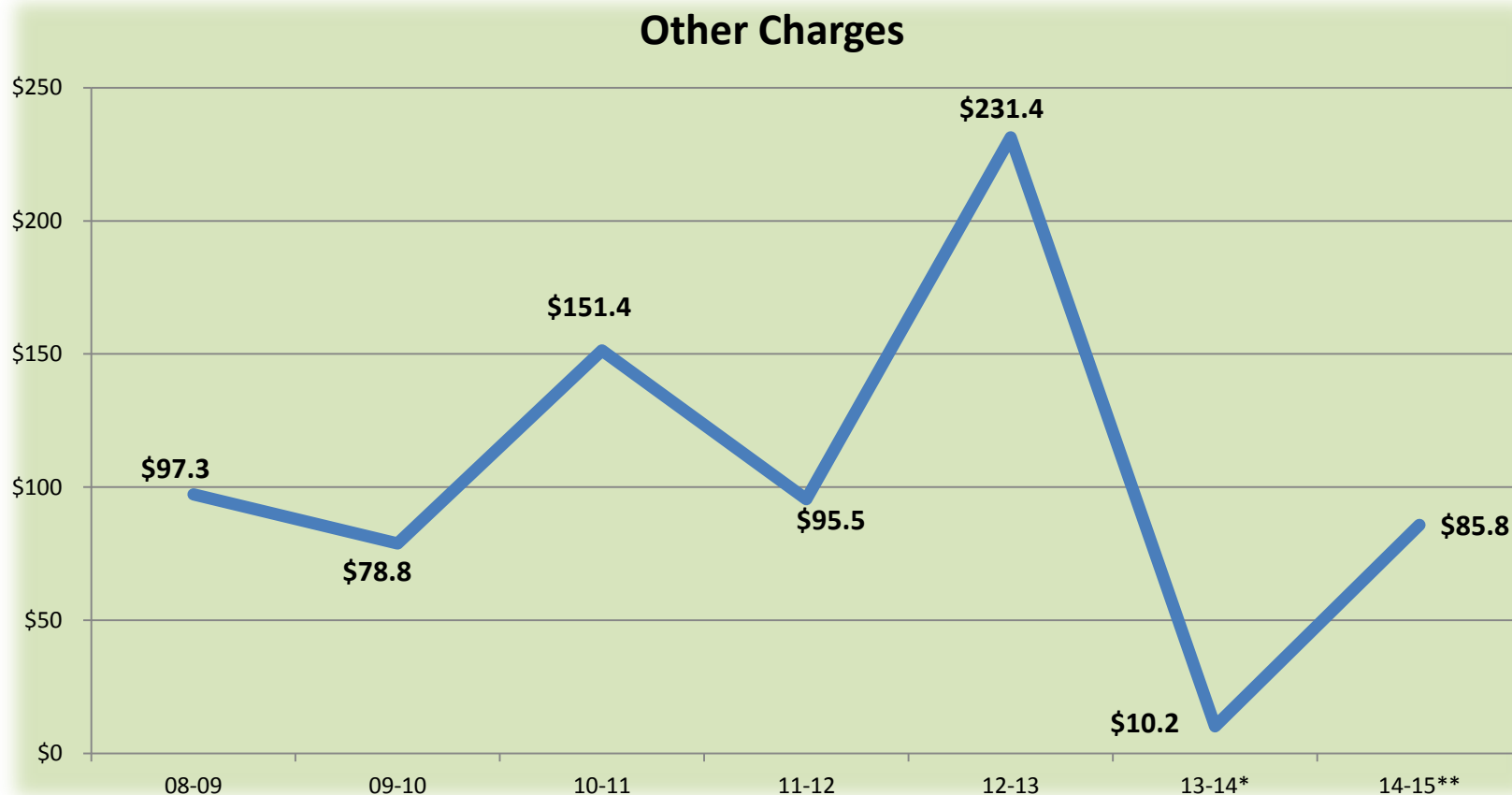
Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/13

**Governor's Executive Budget Recommendation



7-Year Expenditure History (in millions)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/13

**Governor's Executive Budget Recommendation



Significant Adjustments

\$77.4 M

FSGR



Adjustment for public/private partnerships – moving payments from transitional service agreements, including patient billing, contract monitoring associated with partners, medical records, financial reporting, and clinical applications associated with moving HCSD Administration on budget.

\$49.4 M

**Various
MOF**



Adjustments for public/private partnerships – eliminates budget authority for W.O. Moss and Bogalusa Medical Centers as follows:

State General Fund	\$3,751,845
Interagency Transfer	\$24,813,408
Fees and Self-Generated	\$7,389,490
Federal Funds	\$13,418,670

\$20 M

**Stat
Ded**



Non-recur termination pay for Lallie Kemp Medical Center from the Overcollections fund.



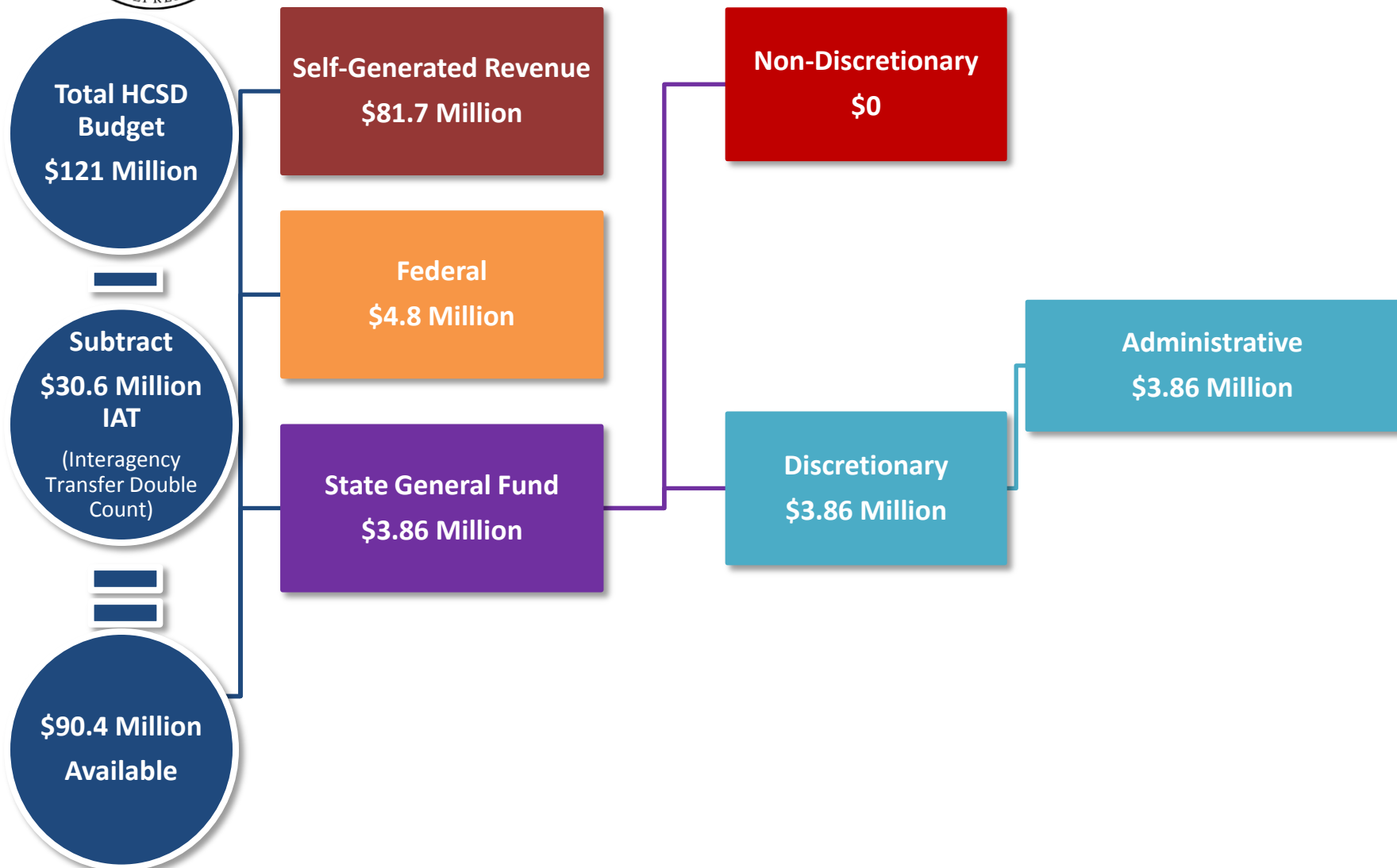
Discretionary/Nondiscretionary Funding FY 14-15 Executive Budget

<u>Activity/Program</u>	<u>TOTAL FUNDING - \$121,024,302</u>		<u>STATE GENERAL FUND - \$3,860,659</u>	
	Discretionary	Non-Discretionary	Discretionary	Non-Discretionary
<u>Lallie Kemp Medical Center</u>	\$39,152,952	\$ 4,432,100	\$3,860,659	\$0
Operations	\$39,152,952	\$0	\$3,860,659	\$0
Prisoner Care	\$0	\$3,216,696	\$0	\$0
Retirees Group Insurance	\$0	\$1,162,297	\$0	\$0
Legislator Auditor Fees	\$0	\$53,107	\$0	\$0
<u>Executive Administration and General Support</u>	\$77,439,250	\$0	\$0	\$0
Operations	\$77,439,250	\$0	\$0	\$0
TOTAL	\$116,592,202	\$ 4,432,100	❑ \$3,860,659	\$0

❑ The discretionary State General Fund in the agency's budget is **0.1%** of the total discretionary State General Fund recommended for FY 14-15.



Discretionary/Nondiscretionary Funding FY 14-15 Executive Budget





Means of Finance and Expenditure Breakdown - Lallie Kemp

Means of Finance	FY 12-13 Actual Revenues	FY 13-14 Existing Operating Budget (12/1/13)	FY 14-15 Executive Budget Recommended	Change from FY 13-14 to FY 14-15	Percent Change from FY 13-14 to FY 14-15
State General Fund	\$1,955,019	\$3,860,659	\$3,860,659	\$0	0.0%
Interagency Transfers	\$18,349,762	\$30,589,668	\$30,589,668	\$0	0.0%
Fees and Self-Gen Rev	\$4,420,906	\$4,334,389	\$4,334,389	\$0	0.0%
Statutory Dedications	\$2,338,393	\$20,000,000	\$0	(\$20,000,000)	(100.0%)
Federal Funds	\$4,867,367	\$4,800,336	\$4,800,336	\$0	0.0%
TOTAL	\$31,931,447	\$63,585,052	\$43,585,052	(\$20,000,000)	(31.5%)
Authorized Positions	392	331	331	0	0.0%

Expenditures	FY 12-13 Actual Expenditures	FY 13-14 Existing Operating Budget (12/1/13)	FY 14-15 Executive Budget Recommendation	Change from FY 13-14 to FY 14-15	Percent Change from FY 13-14 to FY 14-15
Salaries	\$15,840,721	\$37,832,154	\$17,832,154	(\$20,000,000)	(52.9%)
Other Compensation	\$852,987	\$0	\$0	\$0	0.0%
Related Benefits	\$6,310,468	\$6,402,241	\$6,402,241	\$0	0.0%
Travel	\$1,110	\$12,292	\$12,292	\$0	0.0%
Operating Services	\$2,723,817	\$3,604,042	\$3,604,042	\$0	0.0%
Supplies	\$3,406,730	\$5,640,026	\$5,640,026	\$0	0.0%
Prof Services	\$1,010,182	\$1,333,084	\$1,333,084	\$0	0.0%
Other Charges	\$1,785,432	\$8,380,755	\$8,380,755	\$0	0.0%
Acq/Major Repairs	\$0	\$380,458	\$380,458	\$0	0.0%
Unallotted	\$0	\$0	\$0	\$0	0.0%
TOTAL EXP	\$31,931,447	\$63,585,052	\$43,585,052	(\$20,000,000)	(31.5%)



Salaries and Positions

FY 14-15 SALARIES/POSITIONS

- \$17.8 million for Salaries and Other Compensation
- \$6.4 million for Related Benefits
- Total Personal Services = \$24.2 million; 68.8% of the HCSD total Executive Budget Recommendation (excluding Other Charges)

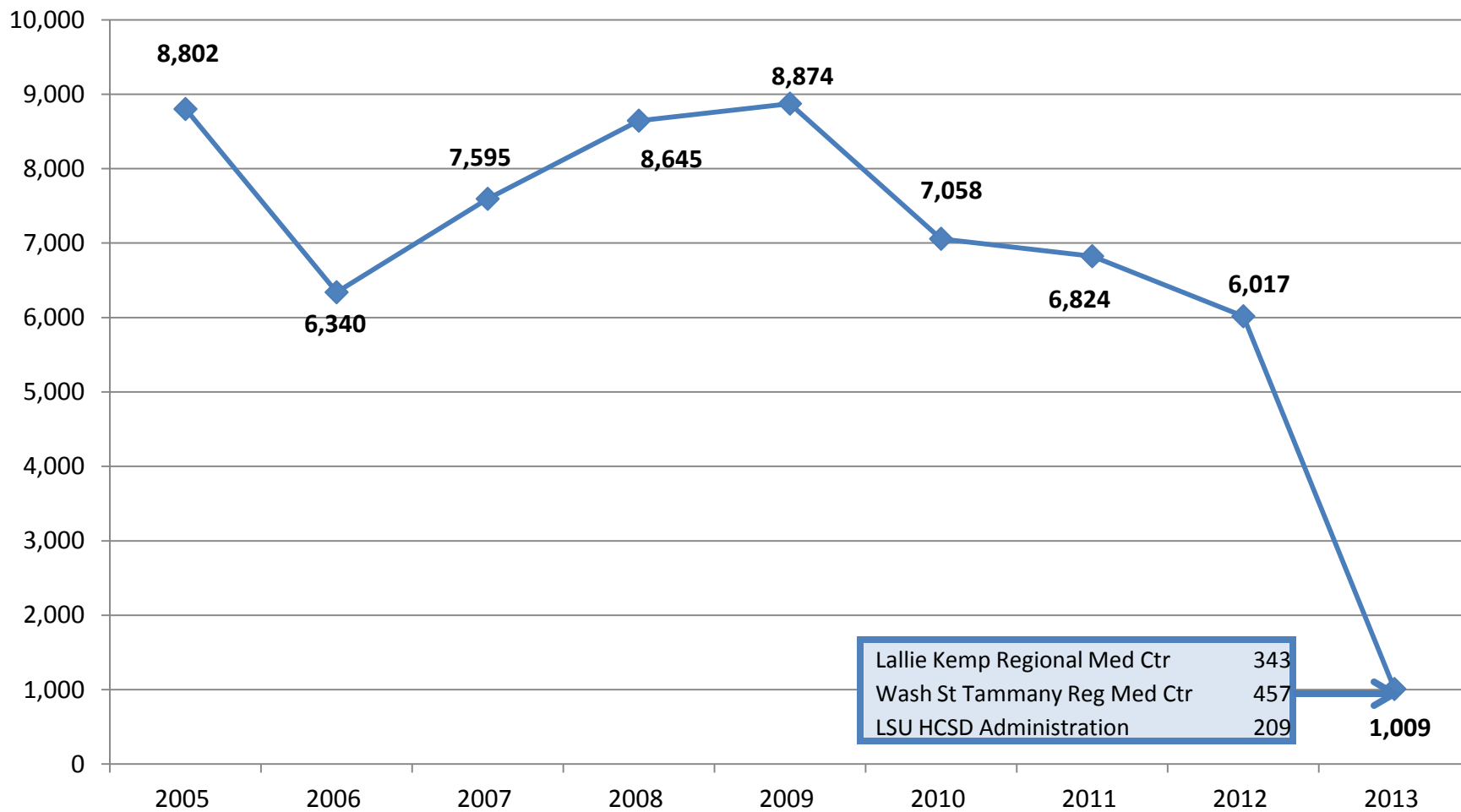
- 331 Authorized Positions (302 classified and 29 unclassified)
- 0 full-time non-T.O. positions
- 0 Other Charges positions

- As of 12/27/2013, HCSD had a negative 641 vacancies
 - This is due from reporting of Bogalusa Medical Center and HCSD Administration to Civil Service, but TO was eliminated prior fiscal year.



Salaries and Positions

TOTAL FULL-TIME EQUIVALENT (FTE) POSITIONS

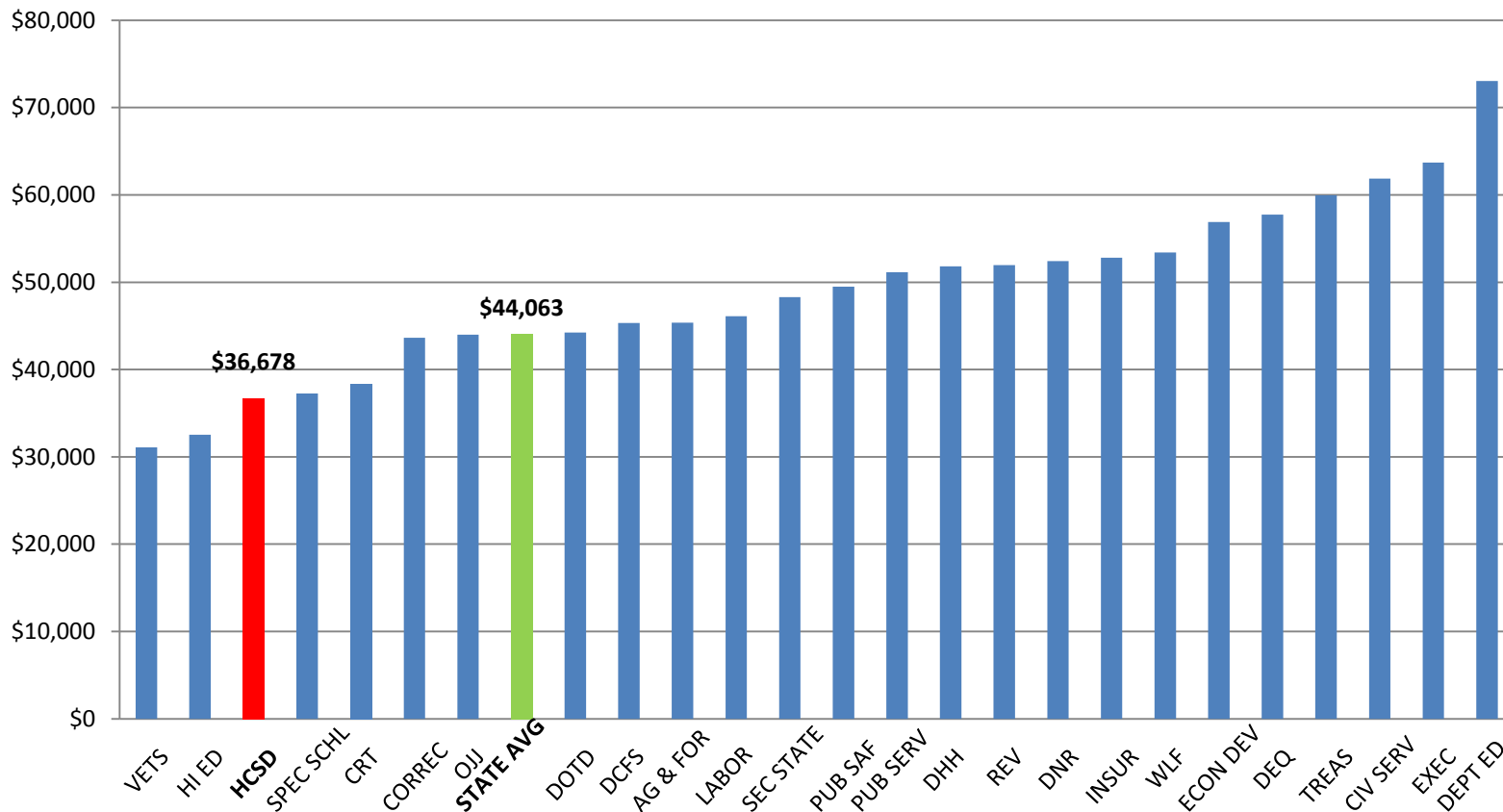


Source: Prepared by House Fiscal Division staff using information from ISIS-HR and Civil Service



Salaries and Positions

CLASSIFIED AVERAGE ANNUAL PAY PER FTE

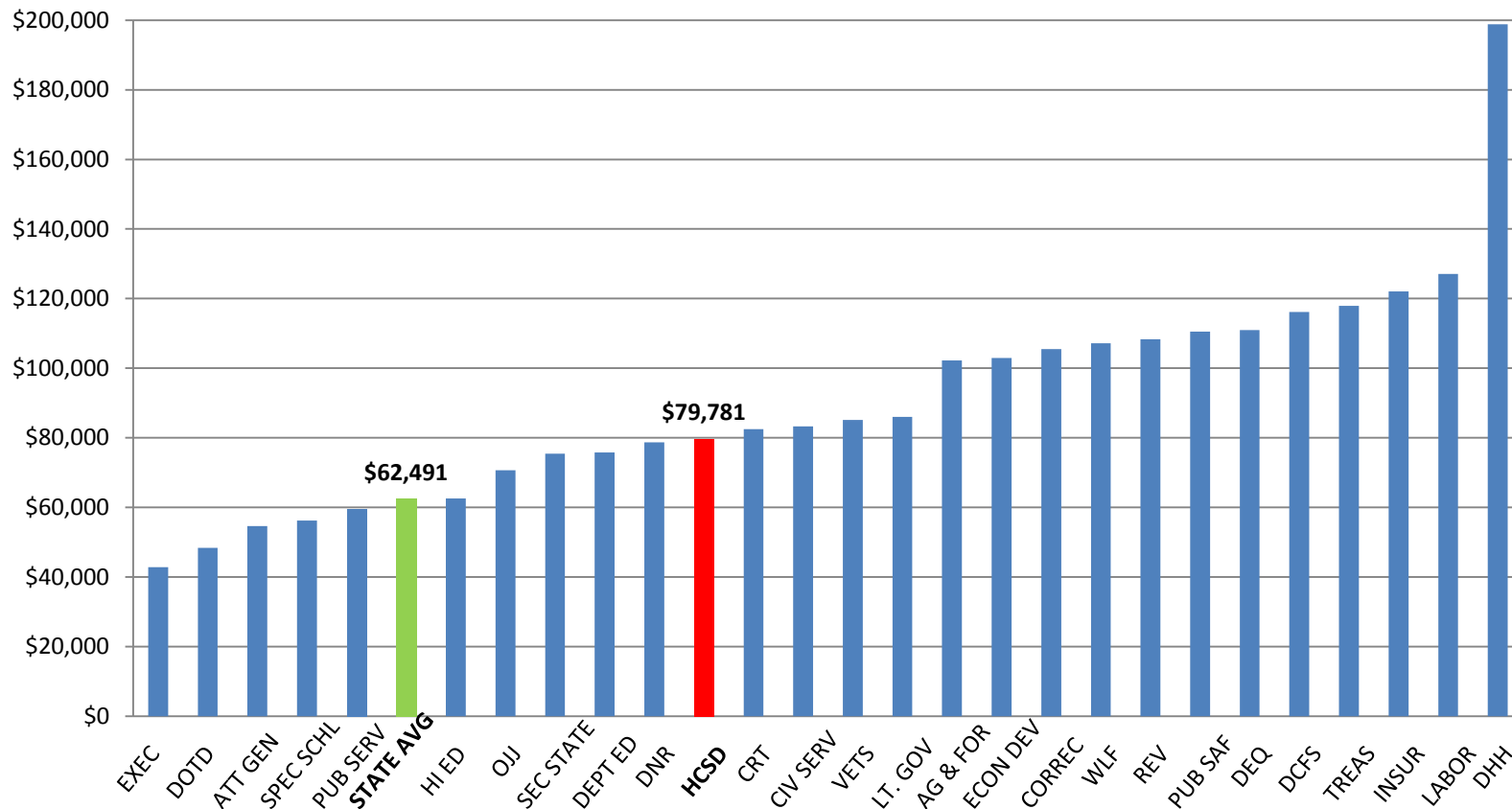


Source: Prepared by House Fiscal Division staff using information from ISIS-HR and Civil Service



Salaries and Positions

UNCLASSIFIED AVERAGE ANNUAL PAY PER FTE



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



Overview of HCR 139 of 2013

- Directs the Division of Administration, the Department of Health and Hospitals, and the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College to make annual reports to the legislature concerning operation and management of state hospitals by private entities



Overview of HCR 139 of 2013

LSU Hospital	Private Partner	Employees Laid Off	Classified	Un-classified	# Retired	# Transfer red to Other State Agency	# Offers from Private Partner	# Accepted Offer from Private partner	Declined	Total employe es Hired	Total employees Hired +/- Laid Off
Chabert (Houma)	Terrebonne/Ochsner	621	378	243	169	4	764	734	30	741	120
E.A. Conway Medical Center (Monroe) ¹	Biomedical Research Foundation	651	510	141	155	0	465	465	did not state	600	(51)
Earl K. Long Medical Center (Baton Rouge)	Our Lady of the Lake	693	322	371	58	11	338	338	did not state	467	(226)
HSC Shreveport Hospital ²	Biomedical Research Foundation	2,611	2,048	563	540	1	2,000	2,000	did not state	2,345	(266)
Interim LSU Public Hospital (N.O)	Children's Medical Center	1,574	1,037	537	413	9	2,117	1,930	187	1,941	367
University Medical Center (Lafayette)	Lafayette General Medical Center	566	315	251	153	5	512	494	18	609	43
Washington St. Tammy (Bogalusa)	Our Lady of Angels Hospital	544	334	210	50	0	555	pending	pending	pending	n/a
W.O. Moss Medical Center (Lake Charles)	Lake Charles Memorial	272	155	117	56	5	241	234	7	252	(20)
Subtotal (excluding Bogalusa)		6,988	4,765	2,223	1,544	35	6,437	6,195	242	6,955	(33)

¹ E.A. Conway: 43 offers accepted from Conifer and 40 accepted offers from Sodexo

² HSC Shreveport Hospital: 150 offers accepted from Conifer and 163 accepted offers from Sodexo

Source: HCR 139 report. House Fiscal Division staff provided subtotal calculation and chart.



Overview of HCR 139 of 2013

LSU Hospital Cooperative Endeavor Agreements

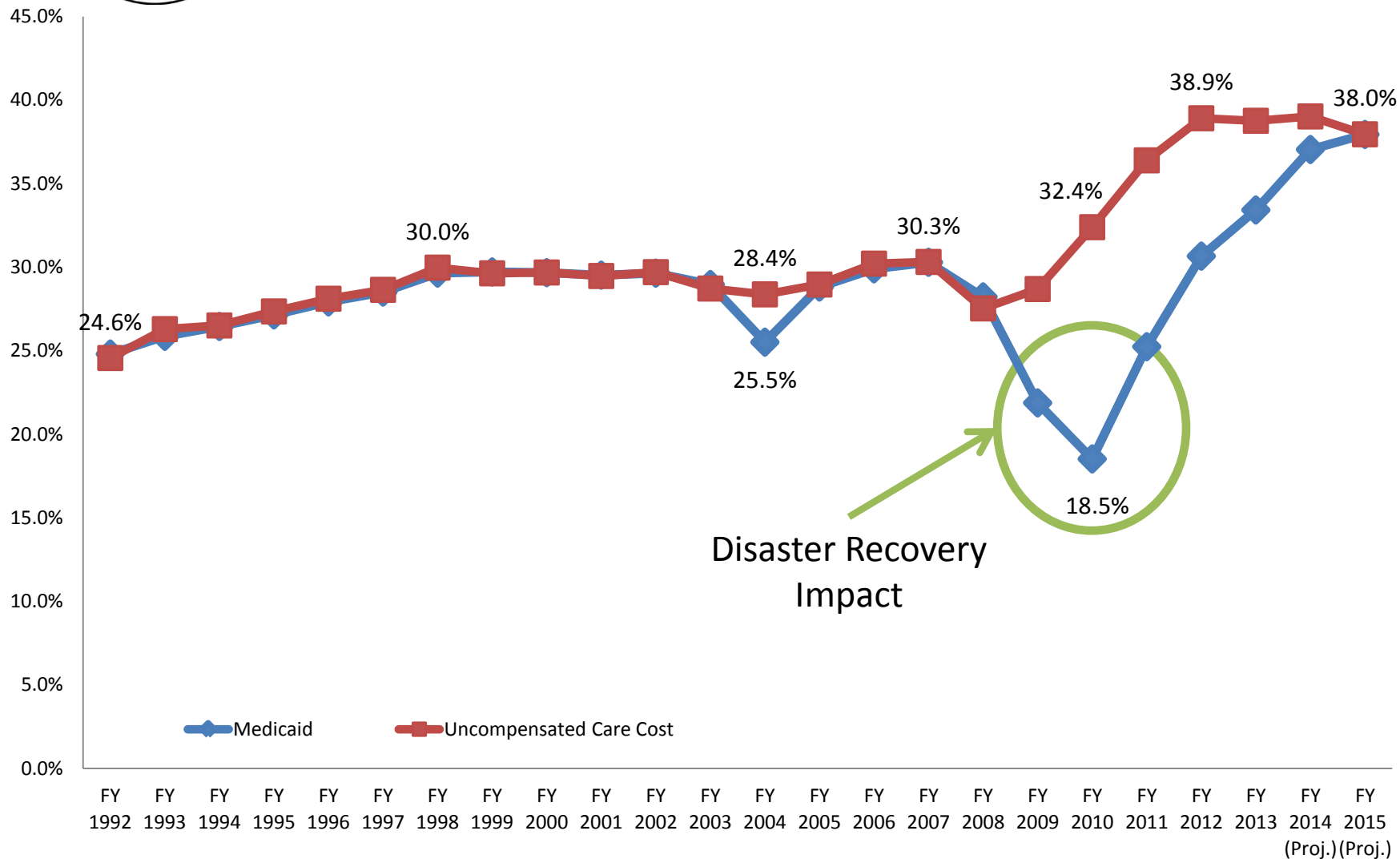
Comparison of State Support (dollars in millions)

Hospital	State Expend. SFY13	State Expend. SFY14	Difference SFY13 to SFY14	FY14 Lease Amounts	Net State Gain
Chabert (Houma)	\$28.4	\$24.9	(\$3.5)	\$17.6	\$21.1
E.A. Conway (Monroe)	\$22.1	\$18.2	(\$3.9)	\$2.7	\$6.6
Earl K. Long Medical Center (Baton Rouge)	\$39.3	\$50.2	\$10.9	\$3.8	(\$7.1)
HSC Shreveport	\$93.7	\$86.7	(\$7.0)	\$42.0	\$49.0
Huey P. Long (Alexandria)	\$20.0	\$19.5	(\$0.5)	\$0.0	\$0.5
Interim LSU Public Hospital (New Orleans)	\$103.6	\$111.5	\$7.9	\$67.6	\$59.7
University Medical Center (Lafayette)	\$31.0	\$40.2	\$9.2	\$15.8	\$6.6
Washington St. Tammy (Bogalusa)	\$17.5	\$12.4	(\$5.1)	\$3.3	\$8.4
W.O. Moss (Lake Charles)	\$17.5	\$18.0	\$0.5	\$2.5	\$2.0
Total	\$373.1	\$381.6	\$8.5	\$155.3	\$146.8

Source: HCR 139 report.



State Match Rate Trend





House Fiscal Division Analysis

State Portion	FY 12-13 Appropriation	FY 13-14 Budgeted	FY 14-15 Budgeted	\$ Change FY 15 over FY 13	% Change
Total LSU Health Care Enterprise					
General Fund	\$57,195,501	\$7,891,693	\$3,860,659	(\$53,334,842)	-93.3%
Statutory Dedications	\$35,075,000	\$24,200,746	\$0	(\$35,075,000)	-100.0%
Medicaid - State Share	\$50,155,530	\$66,821,302	\$59,147,825	\$8,992,295	17.9%
Supplemental Payments (UPL) - State Share	\$20,356,773	\$105,546,252	\$100,107,436	\$79,750,663	391.8%
Uncompensated Care Costs - State Share	\$226,686,530	\$263,245,397	\$287,666,213	\$60,979,682	26.9%
Total State Hospital Payments	\$389,469,334	\$467,705,390	\$450,782,133	\$61,312,799	15.7%
Other Costs/Revenues from Public/Private Partnerships					
Department of Corrections	\$0	\$50,000,000	\$50,000,000		
Legacy Costs	\$0	\$9,630,000	\$18,000,000		
Cost Share Savings/Bonus - State Share	\$0	\$0	\$6,689,383		
Lease Payments ¹	\$0	(\$93,411,577)	(\$110,504,696)		
Subtotal	\$0	(\$33,781,577)	(\$35,815,313)		
Net Louisiana Cost	\$389,469,334	\$433,923,813	\$414,966,820	\$25,497,486	6.5%

¹ FY 2014 Lease payments only include lease amounts specified in Cooperative Endeavor Agreements (CEAs).



Public/Private Documents

- **Hospital Cooperative Endeavor Agreement Documents**

<http://www.lsusystem.edu/index.php/systemoffice/health-affairs/>



Department Contacts

AGENCY	Agency Head	Phone
Office of the President, LSU System	Dr. F. King Alexander	225-578-2111
Ex. VP of Health Care and Medical Education	Frank Opelka, M.D. FACS	504-568-4769
Deputy CEO	Lanette Buie	225-354-7008
Office of the Secretary, DHH	Kathy Kleibert/Jeff Reynolds	225-342-9503