



Louisiana Senate Finance Committee



Fiscal Year 2021-2022 Executive Budget Recommendations

LSU Health

19-600 –

LSU Health Sciences Center – New Orleans

LSU Health Sciences Center – Shreveport

19-610 –

**LSU Health Sciences Center –
Health Care Services Division**

April 6, 2021

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

History of LSU Health



The History of the LSU Hospital System

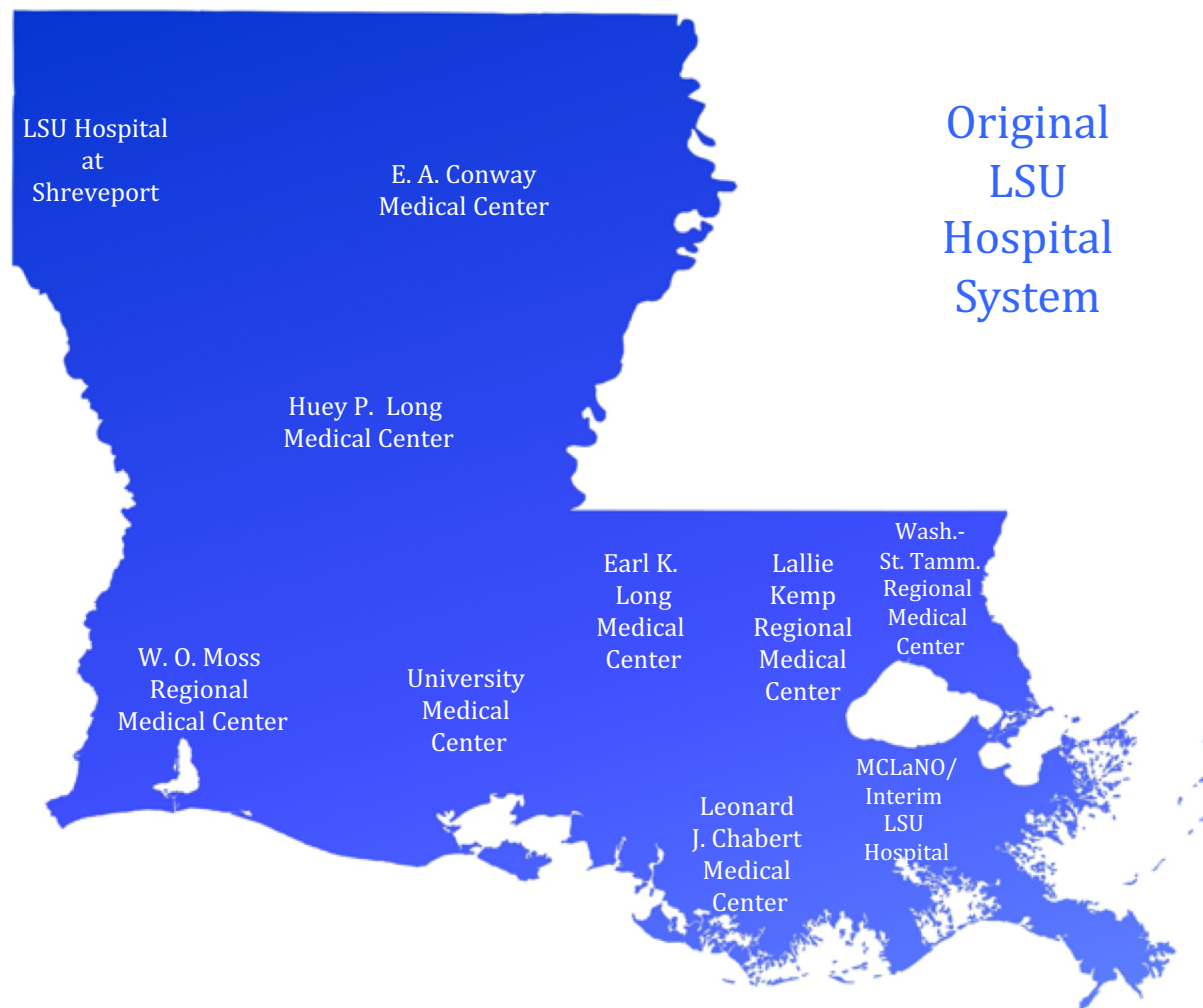
LSU assumed responsibility for the operation of the state's safety net acute care hospital system in 1997, with the enactment of R.S. 17:1519, et seq.

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.

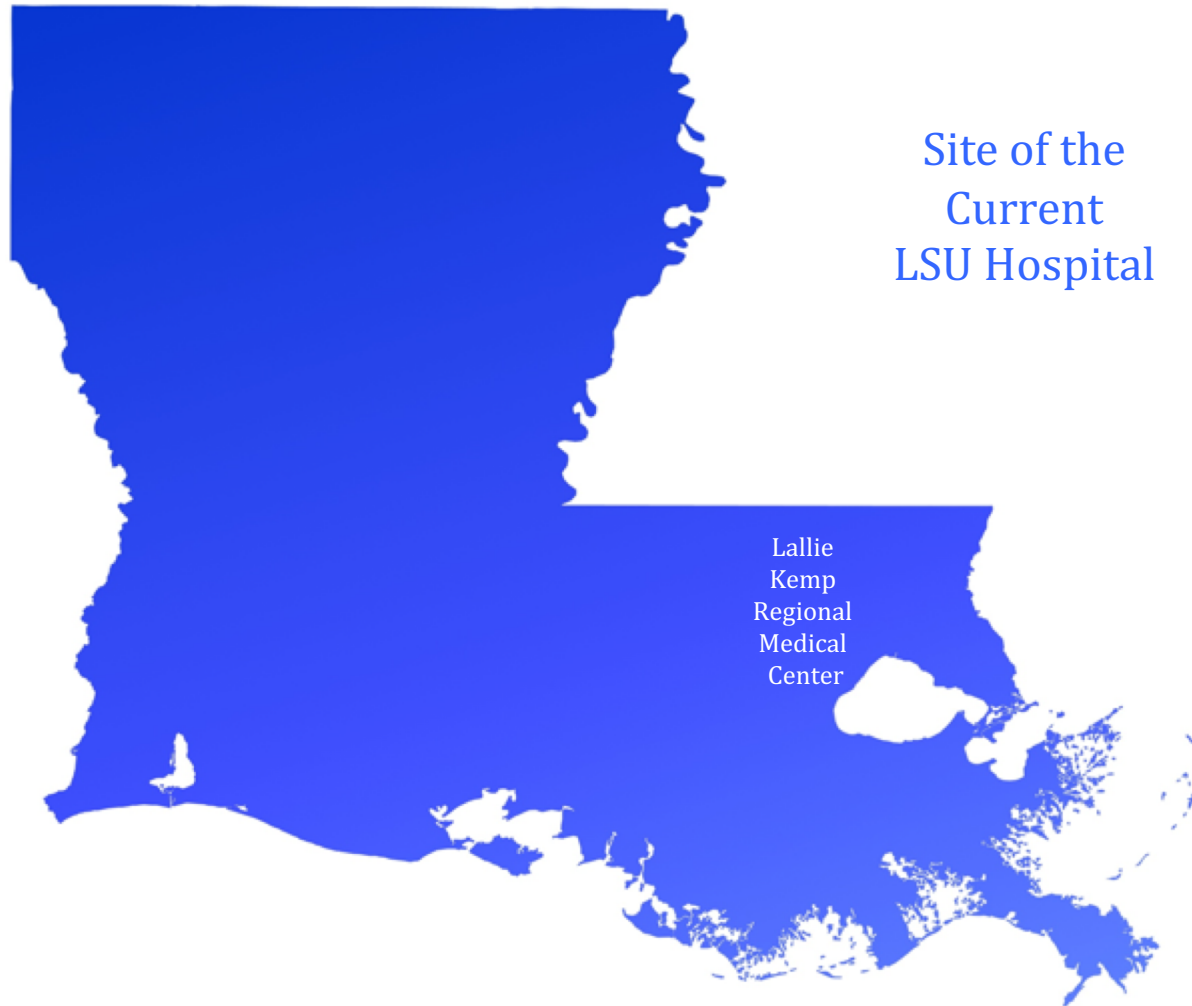


The LSU Hospital System



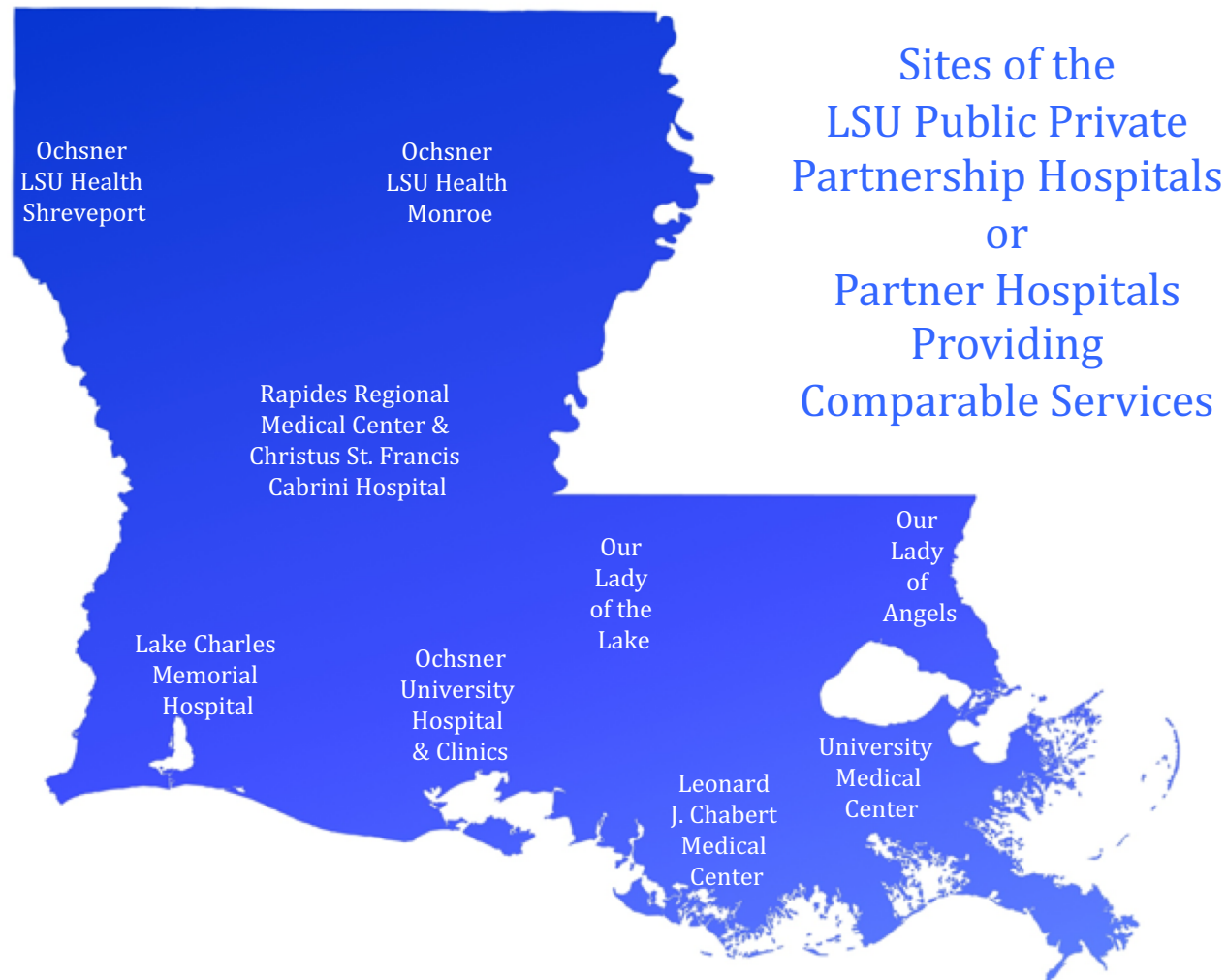


The LSU Hospital System





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 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.



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 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 partners are scheduled to make an estimated \$146.6 million in lease payments to the state next fiscal year as part of the partnership agreements.

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 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, including managing the use of equipment belonging to the state by the partner hospitals; 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. These activities have been absorbed into the overall management of the physical plant of the Health Sciences Center.

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 FY22 total \$37.7 million:

- \$23.8 million for the Health Care Services Division and
- \$13.9 million for the Health Sciences Center in Shreveport.

**Schedule 19-600 –
LSU Health Sciences Center –
New Orleans**



LSU Health Sciences Center – New Orleans

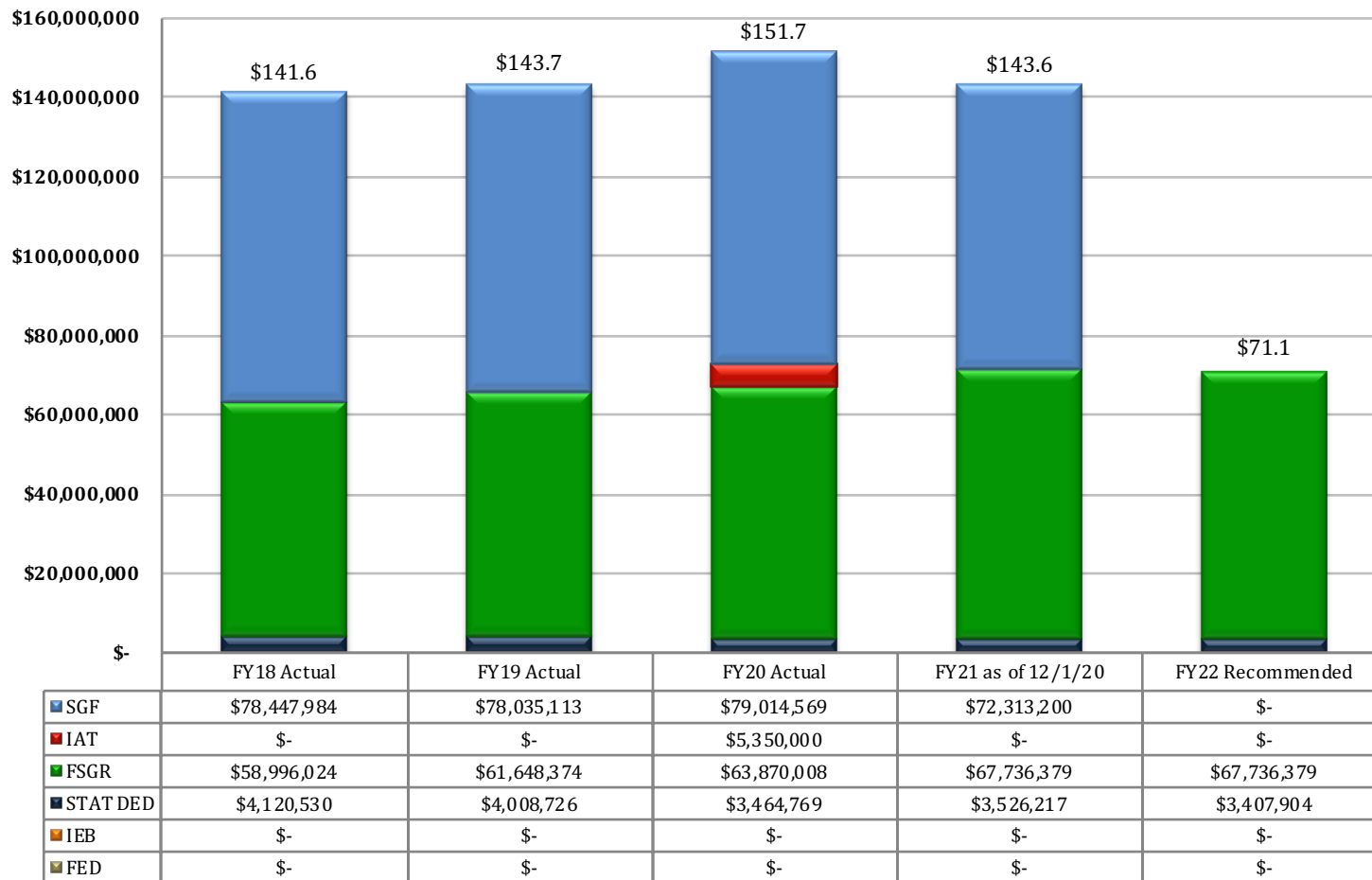
The mission of the LSU Health Sciences Center – New Orleans is “to provide education, research, and public service through direct patient care and community outreach.” LSUHSC-NO comprises the Schools of Allied Health Professions, Dentistry, Graduate Studies, Medicine, Nursing and Public Health.

The Health Sciences Center also “provides vital public service through direct patient care, including care of indigent and uninsured patients. Health care services are provided through LSUHSC-NO clinics in allied health, dentistry, medicine, nursing, and in numerous affiliated hospitals and clinics throughout Louisiana.”



Means of Financing

**Total Budget by Fiscal Year and Means of Finance
(in millions)**



All SGF in the FY22 Recommended Budget for Higher Education has been pooled to the Board of Regents for later distribution according to the Higher Education Formula.

Fees and Self-generated Revenues are comprised mainly of tuition and other student-based fees. The statutory dedication is the Support Education in Louisiana First (SELF) Fund.



FY22 Budget Adjustments

Governor's Executive Budget Recommendations for Fiscal Year 2021-2022

SGF	IAT	FEES & SGR	STAT DEDS	IEB	FEDERAL FUNDS	TOTAL	EXPLANATION OF ADJUSTMENT
\$72,313,200	\$0	\$67,736,379	\$3,526,217	\$0	\$0	\$143,575,796	FY21 Operating Budget (as of December 1, 2020)
\$5,350,000	\$0	\$0	\$0	\$0	\$0	\$5,350,000	Coronavirus Relief Fund
\$5,350,000	\$0	\$0	\$0	\$0	\$0	\$5,350,000	Total Statewide Adjustments
(\$1,000,000)	\$0	\$0	\$0	\$0	\$0	(\$1,000,000)	Non-recurs funding provided in the FY21 Supplemental Appropriation Act passed during the 2020 Second Extraordinary Legislative Session for the COVID testing program.
(\$1,000,000)	\$0	\$0	\$0	\$0	\$0	(\$1,000,000)	Total Non-recurring Adjustments
\$1,244,444	\$0	\$0	\$0	\$0	\$0	\$1,244,444	Provides funding in FY22 to enhance instruction and research capacity at the Health Sciences Center.
\$0	\$0	\$0	(\$118,313)	\$0	\$0	(\$118,313)	Balances the appropriation out of the Support Education in Louisiana First (SELF) Fund to the REC Forecast for FY22.
(\$77,907,644)	\$0	\$0	\$0	\$0	\$0	(\$77,907,644)	Transfers the general fund appropriation to the Board of Regents.
(\$76,663,200)	\$0	\$0	(\$118,313)	\$0	\$0	(\$76,781,513)	Total Other Adjustments
(\$72,313,200)	\$0	\$0	(\$118,313)	\$0	\$0	(\$72,431,513)	Total Adjustments
\$0	\$0	\$67,736,379	\$3,407,904	\$0	\$0	\$71,144,283	Total Governor's Executive Budget Recommendations for FY22



Categorical Expenditures

FY20, FY21, and FY22

Expenditure Category	FY20 Actual	FY21 EOB (as of 12-01-20)	FY22 Recommended		Difference FY21 to FY22
			Proposed Budget	Category as Percent of Total	
Personal Services:	\$93,903,124	\$79,661,649	\$0	0.0%	(\$79,661,649)
Salaries	\$66,919,434	\$58,420,228	\$0	0.0%	(\$58,420,228)
Other Compensation	\$1,414,336	\$942,053	\$0	0.0%	(\$942,053)
Related Benefits	\$25,569,354	\$20,299,368	\$0	0.0%	(\$20,299,368)
Operating Expenses:	\$19,429,401	\$23,991,230	\$0	0.0%	(\$23,991,230)
Travel	\$274,683	\$285,923	\$0	0.0%	(\$285,923)
Operating Services	\$13,926,991	\$19,419,421	\$0	0.0%	(\$19,419,421)
Supplies	\$5,227,727	\$4,285,886	\$0	0.0%	(\$4,285,886)
Professional Services	\$1,946,741	\$1,662,594	\$0	0.0%	(\$1,662,594)
Other Charges:	\$35,899,983	\$38,052,845	\$71,144,283	100.0%	\$33,091,438
Other Charges	\$25,427,999	\$26,945,466	\$71,144,283	100.0%	\$44,198,817
Debt Service	\$262,392	\$262,124	\$0	0.0%	(\$262,124)
Interagency Transfers	\$10,209,592	\$10,845,255	\$0	0.0%	(\$10,845,255)
Acquisitions & Major Repairs:	\$520,097	\$207,478	\$0	0.0%	(\$207,478)
Acquisitions	\$520,097	\$207,478	\$0	0.0%	(\$207,478)
Major Repairs	\$0	\$0	\$0	0.0%	\$0
Total Expenditures	\$151,699,346	\$143,575,796	\$71,144,283	100.0%	(\$72,431,513)

All State General Fund for Higher Education in the FY22 Recommended Budget has been pooled to the Board of Regents for distribution according to the Higher Education Formula. As such, all expenditures proposed for FY22 have also been pooled to Other Charges pending the spread of the SGF back into the Health Sciences Center's budget.

**Schedule 19-600 –
LSU Health Sciences Center –
Shreveport**



LSU Health Sciences Center – Shreveport

The mission of the LSU Health Sciences Center – Shreveport is “to teach, heal, and discover in order to advance the North Louisiana region.” LSUHSC-S comprises the Schools of Medicine, Graduate Studies, and Allied Health Professions.

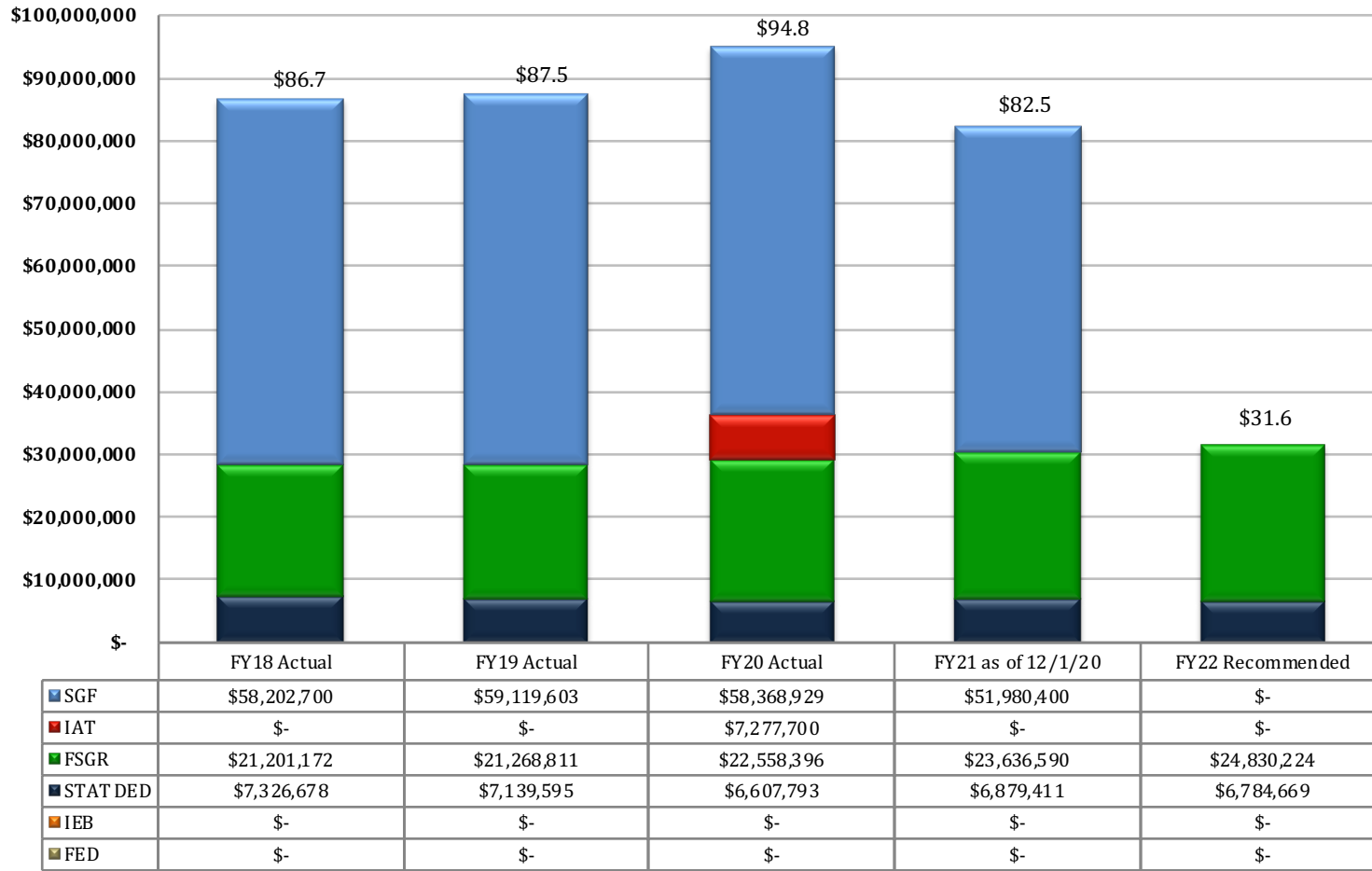
The Health Sciences Center is comprised of “a faculty of nationally and internationally-acclaimed physicians and scientists that leads its research efforts, educates its students and provides primary and specialty care to patients throughout the region.”

The legacy costs for the three HSC-S hospitals that have been privatized are also a component of the Center’s budget.



Means of Financing

**Total Budget by Fiscal Year and Means of Finance
(in millions)**



All SGF in the FY22 Recommended Budget for Higher Education has been pooled to the Board of Regents for later distribution according to the Higher Education Formula.

Fees and Self-generated Revenues are comprised mainly of tuition and other student-based fees. The statutory dedications are the Support Education in Louisiana First (SELF) Fund, Tobacco Tax Health Care Fund, and Shreveport Riverfront and Convention Center and Independence Stadium Fund.



FY22 Budget Adjustments

Governor's Executive Budget Recommendations for Fiscal Year 2021-2022

SGF	IAT	FEES & SGR	STAT DEDS	FEDERAL FUNDS	TOTAL	EXPLANATION OF ADJUSTMENT
\$51,980,400	\$0	\$23,636,590	\$6,879,411	\$0	\$82,496,401	FY21 Operating Budget (as of December 1, 2020)
\$7,277,700	\$0	\$0	\$0	\$0	\$7,277,700	Coronavirus Relief Fund
\$7,277,700	\$0	\$0	\$0	\$0	\$7,277,700	Total Statewide Standard Adjustments
(\$1,840,000)	\$0	\$0	\$0	\$0	(\$1,840,000)	Non-recurs funding added in FY21 for the Health Sciences Center outside of the higher education formula.
(\$1,840,000)	\$0	\$0	\$0	\$0	(\$1,840,000)	Total Non-recurring Adjustments
\$894,444	\$0	\$0	\$0	\$0	\$894,444	Provides additional funding in FY22 to enhance instruction and research capacity at the Health Sciences Center.
\$0	\$0	\$1,193,634	\$0	\$0	\$1,193,634	Balances the appropriation of student fees with the projected collections in FY22.
\$0	\$0	\$0	(\$76,943)	\$0	(\$76,943)	Balances the appropriation out of the Support Education in Louisiana First (SELF) Fund to the REC Forecast for FY22.
\$0	\$0	\$0	(\$17,799)	\$0	(\$17,799)	Balances the appropriation out of the Tobacco Tax Health Care Fund to the REC Forecast for FY22.
(\$58,312,544)	\$0	\$0	\$0	\$0	(\$58,312,544)	Transfers the general fund appropriation to the Board of Regents.
(\$57,418,100)	\$0	\$1,193,634	(\$94,742)	\$0	(\$56,319,208)	Total Other Adjustments
(\$51,980,400)	\$0	\$1,193,634	(\$94,742)	\$0	(\$50,881,508)	Total Adjustments
\$0	\$0	\$24,830,224	\$6,784,669	\$0	\$31,614,893	Total Governor's Executive Budget Recommendations for FY22



Categorical Expenditures FY20, FY21, and FY22

Expenditure Category	FY20 Actual	FY21 EOB (as of 12-01-20)	FY22 Recommended		Difference FY21 to FY22
			Proposed Budget	Category as Percent of Total	
Personal Services:	\$61,061,411	\$46,060,102	\$0	0.0%	(\$46,060,102)
Salaries	\$35,798,910	\$26,492,718	\$0	0.0%	(\$26,492,718)
Other Compensation	\$1,542,645	\$811,896	\$0	0.0%	(\$811,896)
Related Benefits	\$23,719,856	\$18,755,488	\$0	0.0%	(\$18,755,488)
Operating Expenses:	\$20,997,368	\$23,254,046	\$0	0.0%	(\$23,254,046)
Travel	\$105,662	\$170,322	\$0	0.0%	(\$170,322)
Operating Services	\$20,039,230	\$21,717,444	\$0	0.0%	(\$21,717,444)
Supplies	\$852,476	\$1,366,280	\$0	0.0%	(\$1,366,280)
Professional Services	\$2,618,555	\$2,451,262	\$0	0.0%	(\$2,451,262)
Other Charges:	\$9,022,069	\$9,123,103	\$31,614,893	100.0%	\$22,491,790
Other Charges	\$3,094,980	\$3,573,984	\$31,614,893	100.0%	\$28,040,909
Debt Service	\$0	\$0	\$0	0.0%	\$0
Interagency Transfers	\$5,927,089	\$5,549,119	\$0	0.0%	(\$5,549,119)
Acquisitions & Major Repairs:	\$1,113,415	\$1,607,888	\$0	0.0%	(\$1,607,888)
Acquisitions	\$1,113,415	\$1,607,888	\$0	0.0%	(\$1,607,888)
Major Repairs	\$0	\$0	\$0	0.0%	\$0
Total Expenditures	\$94,812,818	\$82,496,401	\$31,614,893	100.0%	(\$50,881,508)

All State General Fund for Higher Education in the FY22 Recommended Budget has been pooled to the Board of Regents for distribution according to the Higher Education Formula. As such, all expenditures proposed for FY22 have also been pooled to Other Charges pending the spread of the SGF back into the Health Sciences Center's budget.

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



Health Care Services Division

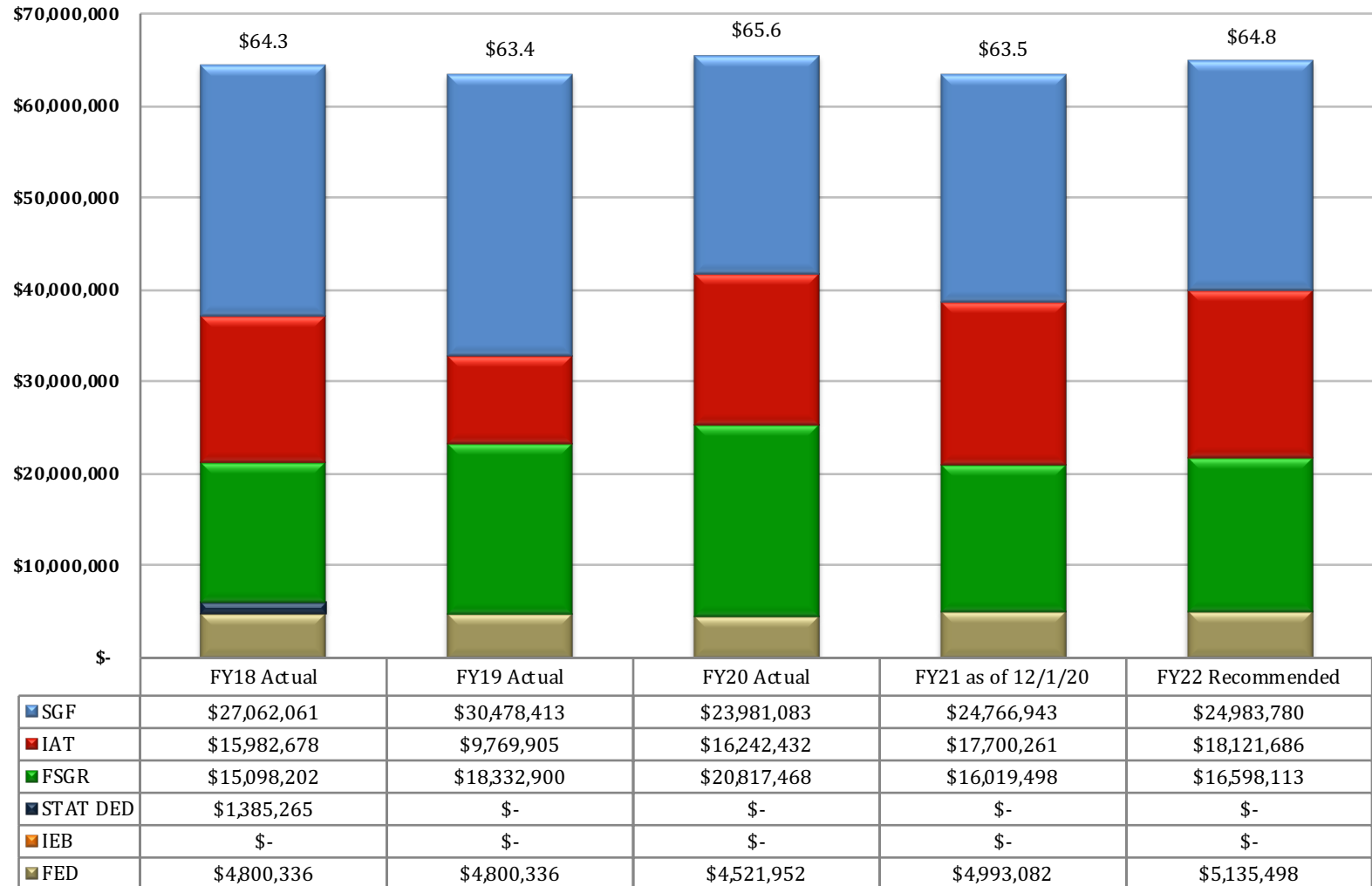
The budget for the Health Care Services Division (HCSD) is composed of the operating expenses of Lallie Kemp Regional Medical Center (LKRMC) and the legacy costs associated with the privatized HCSD hospitals.

- 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, including approximately 28,000 clinic visits and 19,500 emergency department visits per year. Hospital admissions total approximately 475 per year resulting in roughly 1,650 acute patient days each year. 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.
- The legacy costs associated with the privatization of the HCSD hospitals include expenses such as the administration of the remaining activities associated with the privatized hospital operations, including managing the use of equipment belonging to the state by the partner hospitals; legal fees; medical records storage; property maintenance; risk management premiums; and retirees' group insurance premiums.



Means of Financing

**Total Budget by Fiscal Year and Means of Finance
(in millions)**





FY22 Budget Adjustments

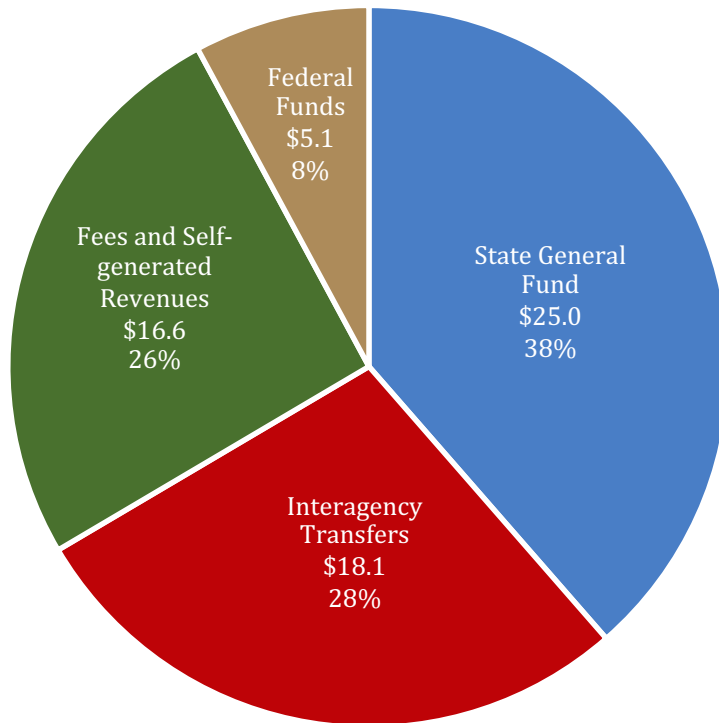
Governor's Executive Budget Recommendations for Fiscal Year 2021-2022

SGF	IAT	FEES & SGR	STAT DEDS	FEDERAL FUNDS	TOTAL	EXPLANATION OF ADJUSTMENT
\$24,766,943	\$17,700,261	\$16,019,498	\$0	\$4,993,082	\$63,479,784	<i>FY21 Operating Budget (as of December 1, 2020)</i>
\$0	\$394,062	\$349,214	\$0	\$142,416	\$885,692	Market Rate Adjustment for Classified Personnel
\$216,010	\$27,363	\$229,401	\$0	\$0	\$472,774	Risk Management Premiums
(\$1,637)	\$0	\$0	\$0	\$0	(\$1,637)	Civil Service Fees
\$2,464	\$0	\$0	\$0	\$0	\$2,464	Office of State Procurement
\$216,837	\$421,425	\$578,615	\$0	\$142,416	\$1,359,293	<i>Total Statewide Standard Adjustments</i>
\$216,837	\$421,425	\$578,615	\$0	\$142,416	\$1,359,293	<i>Total Adjustments</i>
\$24,983,780	\$18,121,686	\$16,598,113	\$0	\$5,135,498	\$64,839,077	<i>Total Governor's Executive Budget Recommendations for FY22</i>



HCSD's FY22 Means of Financing

FY22 Proposed Budget
(in millions)



Revenue Sources for the Health Care Services Division

The majority of the non-State General Fund means of financing for HCSD are patient-based revenues:

- Payments from the Medicaid – Uncompensated Care Costs program 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;
- Payments for medical services provided to Medicare enrollees;
- Commercial/self-pay revenues; and,
- Funds transferred from the Department of Corrections for the costs of providing medical services to prisoners.

HCSD also collects non-patient revenues. These revenues stem from pharmacy processing fees, medical records processing fees, proceeds from hospital cafeterias, etc.



Categorical Expenditures FY20, FY21, and FY22

Expenditure Category	FY20 Actual	FY21 EOB (as of 12-01-20)	FY22 Recommended		Difference FY21 to FY22
			Proposed Budget	Category as Percent of Total	
Personal Services:	\$30,292,759	\$40,083,785	\$40,969,477	63.2%	\$885,692
Salaries	\$20,624,913	\$15,190,122	\$16,075,814	24.8%	\$885,692
Other Compensation	\$0	\$0	\$0	0.0%	\$0
Related Benefits	\$9,667,846	\$24,893,663	\$24,893,663	38.4%	\$0
Operating Expenses:	\$13,697,231	\$8,951,627	\$8,951,627	13.8%	\$0
Travel	\$912	\$12,291	\$12,291	0.0%	\$0
Operating Services	\$4,062,920	\$4,481,685	\$4,481,685	6.9%	\$0
Supplies	\$9,633,399	\$4,457,651	\$4,457,651	6.9%	\$0
Professional Services	\$1,491,474	\$1,833,086	\$1,833,086	2.8%	\$0
Other Charges:	\$20,059,819	\$12,230,827	\$12,704,428	19.6%	\$473,601
Other Charges	\$17,650,221	\$11,439,740	\$11,439,740	17.6%	\$0
Debt Service	\$0	\$0	\$0	0.0%	\$0
Interagency Transfers	\$2,409,598	\$791,087	\$1,264,688	2.0%	\$473,601
Acquisitions & Major Repairs:	\$21,652	\$380,459	\$380,459	0.6%	\$0
Acquisitions	\$19,132	\$380,459	\$380,459	0.6%	\$0
Major Repairs	\$2,520	\$0	\$0	0.0%	\$0
Total Expenditures	\$65,562,935	\$63,479,784	\$64,839,077	100.0%	\$1,359,293