

Background

Louisiana's health care system has been ailing for years. Over 50% of Louisianans believe that Louisiana is in a health crisis or has major problems, according to a 2007 AARP survey. When compared to other states, Louisiana spends a great deal of money on health care with a very low return. Louisiana has ranked 50th in health care for 15 of the last 17 years, according to the United Health Foundation. The state's challenge to improve health and health care delivery has only intensified due to the impact of the 2005 hurricanes. The storms caused substantial damage to the private and public health care infrastructure and intensified chronic shortages of health care workers. The migration of people in need of health care compromised access to care for the insured, underinsured and uninsured in those locations.

Louisiana has approximately 715,000 uninsured citizens, according to the latest Kaiser Family Foundation report. They depend mainly on a healthcare safety net consisting of 10 "Charity" hospitals located in cities across Louisiana¹. LSU Health Care Services Division operates the facilities for the state – the fifth largest public hospital system in the nation. Many of the uninsured are working, often at low-wage jobs at small businesses in the service sector. Either they cannot afford insurance premiums, or their employers do not offer health insurance.

Louisiana spends a total of \$19.4 billion on healthcare with \$1.3 billion (all sources) spent on the uninsured. Although the uninsured make up roughly 17% of the population, they account for less than 7% of the total healthcare spending, according to the Louisiana Department of Health and Hospitals.

Roughly 3% [\$603 million in Fiscal Year 2007] of Louisiana's total health care spending goes toward operating the state's Charity system, which is run by the LSU Health Care Services Division.

Louisiana Stats:

- 42st in per-capita income
- 2nd highest poverty rate
- 17 % are uninsured
- 86% of uninsured are adults [19-64]
- 67% of uninsured adults are low-income (below 200% of the federal poverty level).

The storms aggravated a long-standing problem of access to healthcare for the uninsured in Louisiana. Facing very lengthy waits for primary care and other services within the Charity system, many indigent patients wind up using the emergency rooms [ERs] of private hospitals. This means that in many cases, preventative care and early intervention – which are the least expensive and most medically effective options – are being neglected in favor of the most costly treatment. It also puts financial strains on the private hospitals, which are not fully compensated [or not compensated at all, in some cases] for indigent care. The over-use of ERs is reflected in the fact that Louisiana ranks 3rd in the nation in emergency room use. According to the most recent Commonwealth Fund report², the state ranks 51st in avoidable hospital uses and costs.

¹ There are no other state-run hospitals in the U.S.

² The Commonwealth Fund, September 2007, *Aiming Higher: Results from a State Scorecard on Health System Performance*

Reformers v. the Status Quo

Reformers have been pushing for a de-centralized approach for years, citing high costs, poor access and poor outcomes from the public and private sectors. They want funding to “follow the patient” to their chosen provider of care – including private hospitals – rather than have money go mainly to state-run Charity hospitals. They say access will be improved, as well as care. Reformers also want more healthcare policy decisions to be at the regional or local level, rather than the state level.

Defenders of status quo admit to access problems, but say care is good. They point to under-funding and societal factors such as high poverty and poor education - not systemic problems - as the central issues. They also worry that there will not be enough money to cover costs. Some consultants have said insuring all those now protected by the state’s safety net would cost about \$1 billion more than is currently being spent.

Reformers say that putting all the poor through Charity hides the true cost of care from an economic evaluation perspective – the current system delivers poor service in terms of preventive care, provides limited access and uneven quality. These limitations have serious societal costs in terms of productivity and health status.

Coverage Approaches for the Uninsured Poor

Below are four basic proposals on the table to provide health coverage for the uninsured:

- 1. LSU Health Care Services Division proposes retaining the state-run public hospital system and rebuilding the Baton Rouge, Pineville and Medical Center of Louisiana - New Orleans (LSU Charity) public hospitals. The proposal includes expansion of the inpatient capacity of the New Orleans based hospital.**

Although there would be initiatives aimed at improving efficiency and other performance indicators, some view this as essentially a continuation of the *status quo*.

Those in favor of this proposal say that all states have safety net hospitals, usually run by local entities or medical schools that resemble the LSU facilities. They say there are few material differences in this regard between Louisiana and other states. Proponents claim there are significant advantages to Louisiana’s statewide approach in terms of regional distribution of specialty services and eligibility for care regardless of the parish of residence. They say that the Charity system provides quality care, but has suffered from insufficient funding. Proponents are concerned that other proposals will threaten



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Medicaid³ funding for physician education conducted by the LSU Medical School at its training sites at Charity hospitals. They also state that there are no assurances that acceptable arrangements for training opportunities will be developed to the satisfaction of the medical schools. Their main fear is that proposals taking funding for the uninsured and shifting to an insurance model of coverage will leave inadequate funds for public hospitals to care for the toughest and most problematic patients.

Proponents also say that the rebuilding a larger state-of-the-art facility is necessary to meet the medical school's training needs, provide access to health care for the uninsured and attract privately insured patients and Medicare beneficiaries.

Opponents say linking physician education funding and care of the poor is not inevitable. They say LSU Charity frames the story as all or nothing, but most other successful academic medical institutions are flagship institutions that attract a large patient mix, not a majority share of the poor, as is the case with Louisiana public hospitals.

They also say that there is too much "practicing" on the poor by concentrating all of the indigent patients and all of the medical residents in one system. In a more distributed environment [both private and public medical facilities] and/or with a better payer mix there is greater opportunity for physician residents to gain diverse medical practice experience. For instance, residents in Louisiana public hospitals currently see very few Medicare patients. However, when these residents go on to establish their own practices, a large percentage of their patients will be Medicare enrollees.

2. Expand Medicaid to provide healthcare coverage for children in households up to 300% of the federal poverty level (FPL), uninsured parents with incomes up to 200% of the FPL; and coverage for uninsured childless adults with incomes up to 200% of the federal poverty level. This plan would be pilot tested in two regions of the state. It is estimated that the Medicaid expansion would provide health care to approximately 90,000 adults⁴.

Proponents of this plan say the best way to expand health care and draw additional federal funds to the State is to expand Medicaid insurance coverage. They say that unless the federal government provides the state with additional funds, an insurance model of health coverage for the uninsured won't work. They say the state simply doesn't have enough money.

Opponents say that those who exceed the Medicaid earnings maximum, but are in low-wage jobs, would fall through the cracks of the health care system. They say the plan

³ **Medicare** is a Federal healthcare program, mainly for individuals 65 and over. **Medicaid** is a joint federal-state program that provides health insurance coverage to low-income individuals. Some of these program funds are allocated to support graduate medical education.

⁴ LSU – Estimating the Number of Uninsured Louisiana Residents Under 200% of the FPL in Post-Katrina Louisiana, 2007

needs to extend beyond Medicaid coverage to include private health coverage for these working poor. Opponents also say that the program may limit patient choice if it relies primarily or exclusively on the public sector delivery system, and does not open doors to private providers and private coverage options.

- 3. Create a hybrid plan that would provide both coverage for low-income uninsured adults up to 200% of the Federal Poverty Level and continue funding the public system of care, but at a reduced amount. Direct subsidies to LSU Charity would be below pre-Katrina levels. The plan would be pilot tested in the greater New Orleans region. Over a three year period of time the plan proposes to expand health care coverage to approximately 80,000 people in the greater New Orleans region who are currently uninsured.⁵**

Those who favor this plan say it would begin providing broad access to care for the uninsured within in two years as opposed to a minimum of five years for the LSU Charity plan. They also emphasize that the private sector will need to meet patient demands and diversify their practices while waiting for the new public hospital to open. The plan calls for LSU Charity to partner with community providers to ensure adequate neighborhood-based primary and preventive care to the population. The benefits provided would encourage preventive and outpatient care. Because patients would receive access to a primary care doctor who is part of a coordinated “medical home” system of care, they would be less likely to receive unnecessary or duplicative care. Proponents say this would lower costs to the state by reducing avoidable hospital usage. Patients who have funding through the new insurance model will be able to chose from amongst all providers in the community, including Charity.

Those opposed to the “hybrid” coverage model say that it would carve out the most healthy people that have relied on the public system of care, leaving the most challenging and chronically ill patients to be served by LSU Charity. They say that the funding left for the public system of care will not be adequate to meet the needs of this remaining patient population. Opponents say that a 484 bed hospital is needed in New Orleans. In the short term, such a large construction project would provide economic development for the city. In the long-term, they claim “Big Charity” would attract a payer mix that includes more private pay and Medicare recipients. These patients would provide both dollars and patient diversity to the system. Opponents also say that they will attract patients from other regions of the state who are seeking the specialty care that will be offered at LSU Charity.

- 4. Address the three major components of the public health care system on a statewide basis, rather than focusing only on local pilot projects:**
 - Expand statewide coverage for the uninsured with emphasis on primary care and medical homes for low-income adults under 200% of the federal poverty level**

⁵ Louisiana Department of Health and Hospitals, August 14, 2007 Joint Health and Welfare



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- **Transfer governance for six of the ten Charity hospitals to local/regional authorities in order to increase numbers of participating hospitals, clinics and physicians**
- **Elevate four hospitals (New Orleans, Baton Rouge, Shreveport and Monroe) to true academic medical center status, with proper funding and clinical programs to establish them as centers of excellence for medical education, patient care and biomedical research**

Proponents believe these changes would improve access to primary care, as well as specialty and hospital care, by reducing travel and waiting times. They say that uninsured patients would be integrated into local systems of care along with insured patients. This would take advantage of private sector medical services and resources, including up-to-date medical equipment that is not often available in charity hospitals. This approach would follow a planned timeline of approximately five years to achieve coverage goals, transfer governance and establish the four medical centers on a path to excellence. Proponents say the coverage costs would be partly offset by reducing numbers of uninsured needing safety net care, improving efficiency of the safety net and improving the methods of financing for academic medical centers.

Opponents argue this proposal is too expensive and would dismantle the charity hospital system. They say the current system should be retained and that replacement of three charity hospitals is needed at New Orleans, Baton Rouge and Alexandria in order to modernize the facilities and attract more paying patients. They also say that funding for medical education would be reduced to the point that Louisiana would not be able to produce adequate numbers of physicians and other medical personnel. Regarding transfer of hospital governance, opponents point to a lack of expertise among local governing bodies in Louisiana in managing hospitals and clinics.

- **Maintain and upgrade the Charity system**
- **Greatly expand Medicaid coverage**
- **Expand Medicaid coverage and continue funding Charity system, but at a reduced amount.**
- **Expand Medicaid coverage; transfer 6 charity hospitals to local control; make remaining 4 hospitals academic medical centers**

This background material was written by LPB staff with the assistance of our By The People Partner, AARP Louisiana