

**Testimony of Dr. Patrick J. Quinlan
Chief Executive Officer, Ochsner Health System, New Orleans, LA
Before the House Committee on Energy and Commerce
Subcommittee on Oversight and Investigations
March 13, 2007**

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before the Subcommittee to update you on the impact of Hurricane Katrina and its aftermath on the Ochsner Health System. First, I would like to thank the many Members of Congress, including members of this Subcommittee, who have traveled to the Gulf Coast over the past nineteen months to see for themselves the overwhelming devastation wrought on our City and our State as a result of the disasters associated with Hurricanes Katrina and Rita. Your personal presence and concerns are certainly appreciated by our citizens.

Ochsner Health System is an independent non-profit organization made up of seven hospitals and thirty-two clinics employing over 8,400 people. Ochsner is the largest private employer in Louisiana. Ochsner Medical Center was one of only three hospitals to keep its doors open despite the ongoing interruption of its business, during and after Katrina to care for all patients. We made this decision despite the fact that physical damage to our facilities caused us to suffer a significant interruption of our business both during and after the storm. Since Hurricane Katrina, Ochsner's professionals have quietly gone about their work of providing high quality healthcare to everyone - regardless of their ability to pay. We experienced significant physical damage to our facilities as a result of Hurricane Katrina. Ochsner has exercised due diligence to rebuild its property and mitigate the damage done to its business because of Hurricane Katrina. Nevertheless, we experienced significant additional costs and lost revenues

as a result of this damage and the consequent interruption of business. The hospital also had to provide food and shelter for staff, as well as pay them for long hours at increased compensation. Ochsner's extensive disaster preparations played a major role in the ability to mitigate its damages, and to provide services for patients in the entire region under emergency conditions. That preparedness ultimately allowed citizens that evacuated to return home with the assurance that their healthcare needs could be met.

Hurricane Katrina caused property damage losses of approximately \$23 million to Ochsner facilities, but with the application of deductibles; only about \$11 million is covered by insurance. FEMA has paid a minimal amount to date. In addition, business interruption losses caused by Hurricane Katrina and its property damage have been over \$57 million. Our business interruption deductible, however, is approximately \$11 million. We continue to have issues with our primary insurer with resolving our claim. Total payments from insurance to date have been only about \$23 million.

Currently Ochsner employs over 600 physicians and more than 120 licensed mid-level health providers who receive no payment for the care of the uninsured. This acts as a significant drain for our Health System because of lack of funding for both hospital and Ochsner physicians.

We are one of the largest private non-university based academic institutions in the country with over 350 residents and fellows, proven research including bench research, translational research and clinical trails. In addition, we provide training for approximately 400 allied health students and over 700 medical students from LSU and Tulane with little funding to

support this mission. The importance of Ochsner's graduate medical education program has increased greatly since Katrina because we are the only fully functional academic center in the greater New Orleans area. We know that a significant number of physicians locate to practice where they train, so we are training the next generation of medical doctors for the area.

The sad reality is that we are bleeding red ink as a result of holding this fragile healthcare system and medical education system together and are caught in the middle of excessive bureaucracy in both the public and private sectors. Simply put, well-intended money to help us as providers is not reaching us on a timely basis. And when that money does reach us it is insufficient to meet our needs.

Despite our efforts at retention we lost over 2000 employees and more than 100 physicians during and after the storm who decided to leave the area. As a result we are currently experiencing a shortage of highly-trained physicians, nurses and support staff. Recruitment and retention continue to be a major issue. We are spending over \$20M annually in employment agency fees to staff critical areas throughout our hospitals. Wages have increased 10.65% as a result. While Health System wage costs increased almost 11%, the Medicare Wage Index decreased almost 4%. To attract the talent we need to continue to operate, the pressure to increase wages continues. A permanent fix to the Medicare Wage Index would be most helpful in addressing this issue as well as financial support to help in recruiting and retaining key personnel especially physicians and nurses. In October 2006 Ochsner Clinic was forced to increase physician salaries by \$6M or 5% above pre-Katrina levels to retain and recruit

physicians to the New Orleans market. In addition, we are often forced to pay significant recruitment bonuses to attract the necessary staff.

Ochsner Health System also faces \$4.8 million in outstanding unemployment claims, which arose in conjunction with Executive Orders issued by the Governor that granted benefits to individuals unemployed as a result of the storm and suspended many of the normal requirements for obtaining unemployment benefits. While the federal government provided \$400 million in assistance to help pay for these claims, the Louisiana Department of Labor allocated all of the federal relief funds to for-profit employers, leaving most non-profit and governmental employers that are self-insured to pay an enormous and potentially damaging amount of claims. In response, the Louisiana State Legislature enacted legislation that defers the payment of these claims until July 1, 2007 in an effort to identify solutions to the problem which could include an amendment to this Disaster Unemployment Assistance (DUA) Fund or an appropriation to the Louisiana Unemployment Trust Fund for the benefit of governmental and non-profit institutions from the Federal Unemployment Trust Fund.

Funding for uncompensated care is an issue for us. Ochsner has done more than its fair share of caring for the uninsured in the region. We have seen 24,731 uninsured patients since Hurricane Katrina at a cost of \$25.5M and we have been reimbursed only \$12.1M; that's less than fifty cents on the dollar for our costs. Please note that I am referring to our costs not charges and these refer to hospital services only and do not address our clinic load. With over one million clinic visits per year, the effects on the Institution are simply not understood by the traditional approaches of government at all levels. Our uninsured and Medicaid patient volumes

have increased 50% from pre-Katrina levels. The time between providing care to the uninsured and receiving reimbursement has become excessive. We recommend that money for reimbursement for the care of the uninsured follow the patient directly and not go through multiple third parties to expedite funds reaching providers on a timely basis. Predictable funding is absolutely essential to predictable access for patients. And access is at the core of good medical care.

As part of its ongoing contributions to the recovery of the greater New Orleans region, Ochsner purchased three community hospitals in Orleans and Jefferson Parishes in October 2006 from Tenet Healthcare Corporation that were temporarily closed and significantly disabled in the aftermath of Katrina. These hospitals, as well as Ochsner Medical Center, require extensive disaster related infrastructure improvements at a cost of \$17.5M to retrofit and harden facilities in preparation for future storms. These essential preparations include raising transformers, relocating transfer switches, buying emergency generators, drilling additional wells and replacing flooded equipment.

We experienced significant additional costs and lost revenues. Extraordinary costs are included in all emergency situations as adjustments are made for the circumstances that develop. Volumes and related revenue are down but expenses are up significantly. There is precedent for the federal government to help in similar disasters. After the September 11, 2001 attacks on New York and Washington, aid was provided to hospitals for similar reasons. We ask for the same consideration today. We stepped up without reservation – we bet the company and ask for your help today.

Finally, more flexibility in the Health Resources and Services Administration grant process would be helpful in addressing some of the issues I have just described to you. Anything you can do to streamline the process as well as providing significant funds to address the shortfalls we have experienced would be most helpful.

We need your help if we are to survive long term as the largest healthcare provider in the State of Louisiana and to give us the ability to respond to future disasters successfully. I am happy to respond to any questions. Thank you for your time and consideration.