

Summary

Statement of Patrick J. Quinlan, M.D.

Chief Executive Officer, Ochsner Health System, New Orleans, LA

Subcommittee on Oversight and Investigations, Committee on Energy and Commerce

U.S. House of Representatives, Wednesday, August 1, 2007

Hurricane Katrina and its aftermath continues to have a severe impact on the fragile healthcare system and medical education system in the greater New Orleans area almost two years after the storm. Unlike other disasters in this country, a short-term fix is not possible for the greater New Orleans area.

We need your help immediately to address issues affecting our hospitals on a more long-term basis. Therefore, I offer the following targeted solutions for your consideration: (1) address spiraling wage costs by adjusting the Medicare Wage Index to reflect the current, not retrospective wage index; (2) increase funding for significantly increasing non-labor costs; (3) eliminate the three year rolling average for Graduate Medical Education which currently reduces payments to participating hospitals by one third; (4) address workforce shortages by authorizing waivers to address immigration of foreign nurses and other allied health professionals for the short term and provide funding to increase the capacity and faculty of nursing schools in the region long-term; and (5) provide an appropriation through HRSA or another federal agency to cover increased costs due to Hurricane Katrina, using the Medicare cost reporting and payment system to ensure accountability.

If we don't get relief, Ochsner will be forced to re-evaluate services and programs that we provide that are not profitable and will cause us to limit access, reduce services, and cutback medical education.

We need financial assistance to address \$65.5 million of additional unreimbursed operating losses since Katrina that is both timely and sufficient to survive long-term and to give us the ability to respond to future disasters successfully.

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Mr. Chairman, members of the Subcommittee, thank you for this opportunity to update you on our progress and continuing concerns Post-Katrina.

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 twenty-three 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 9,000 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.

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.

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.

I wish I had more positive news to report to you since we last met in March but the reality is that all five hospitals represented here today continue to bleed red ink as a result of holding this fragile healthcare system and medical education system together in the Post-Katrina world we live in. We are all facing significant pressures because of these skyrocketing costs. Simply put we are challenged to continue our current level of services because of increased labor and non-labor costs, graduate medical education costs, increasing uncompensated care costs and lack of a workforce to maintain and address the increasing demand for health care services.

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.

Well-intended money to help our hospitals is not reaching us on a timely basis. Only \$21.9 million of the \$1.4 billion allocated by HHS and FEMA for Louisiana has reached Ochsner Health System. Despite this generosity we have experienced \$65.5 million of additional unreimbursed operating losses since Katrina. A problem is dollars intended to help us have gone to a wide variety of providers that were not as impacted by Hurricane Katrina as Ochsner and the other hospitals testifying today.

Unlike other disasters in this country, a short-term fix is not possible for the greater New Orleans area. Katrina was a disaster of untold proportions.

We need your help immediately to address issues affecting our hospitals on a more long-term basis. Therefore, I offer the following targeted solutions for your consideration: address spiraling wage costs by adjusting the Medicare Wage index to reflect the current, not retrospective wage index; increase funding for increasing non-labor costs; eliminate the three-year rolling average for Graduate Medical Education which currently reduces payments to participating hospitals by one third; and help us address workforce shortages by authorizing waivers to address immigration of foreign nurses and other allied health professionals for the short term and provide funding to increase the capacity and faculty of nursing schools in the region in the long-term. Ochsner currently has 300 nursing vacancies. To address our short-term needs, we have hired 100 nurses from the Philippines only to find there is a limit on visas to allow them to enter this country. There are currently hundreds of people on waiting lists to enter nursing school if only the schools locally had the capacity and faculty for training.

Unfortunately, Medicare payments under the current system are not adequate and we have not felt much relief from recent federal grants. Therefore, I would recommend an appropriation through HRSA or another federal agency to cover these increased costs due to Hurricane Katrina, using the Medicare cost reporting and payment system to ensure accountability. Since all the affected hospitals treat a significant number of Medicare patients this method of distributing funds would assist the hospitals in covering their increased costs. Such a grant could be provided over a three-year period until the Medicare wage index “catches up” to our real costs. The current financing system does not provide the regulatory flexibility needed to address our issues and is too complex to meet our needs in a timely manner as our hospitals face immediate consequences.

What are the implications if we don't get relief? Ochsner will be forced to re-evaluate services and programs that we provide that are not profitable. Examples of such services are 24-hour emergency departments, obstetrical programs, psychiatric services, medicine services, and community outreach programs such as health fairs and screening services. Ochsner will be forced to limit access, and reduce services because of the need to reduce contract labor and other expenses. Our two greatest expenses are people and supplies. Ochsner would have to take a serious look at our capacity to provide graduate medical education going forward as one of the largest private non-university based academic institutions in the country. We know that a significant number of physicians locate to practice where they train, so the next generation of medical doctors for the area could be severely limited as a result of cutbacks in their training.

This is a balancing act for all of us represented here today. Ochsner Health System stepped up without reservation to assist the citizens of our region during and after the storm. We have suffered as a result of the greatest disaster to ever hit this country. We are not looking for the federal government to subsidize our bottom line but we are looking for help to address Katrina-related expenses. And to do so in a way that is consistent with good public policy such as expanding capacity to attract seniors back to the area and to allow all the hospitals to maintain high levels of a wide array of healthcare services. Please don't forget us; the healthcare needs of our community are in your hands. The regrowth of the greater New Orleans area depends on your immediate action to save our healthcare infrastructure and ensure our ability to provide care to all our citizens.

Thank you for your time and consideration. I am happy to respond to any questions.