"Guarded Condition: Healthcare in Louisiana"

With healthcare spending totaling $19.4 billion for all sources, according to a *PricewaterhouseCoopers* study commissioned by the Louisiana Recovery Authority, Louisiana's healthcare costs are among the highest in the nation. But our results are consistently far below other states. Louisiana is one state away from leading the nation in:

- Infant mortality, with an average of 10 infant deaths per 1000 live births;
- Cancer deaths, which kill 223 out of every 100,000 Louisianans; and
- Premature death, where poor preventive care practices annually kill 11,000 of our citizens before their time.

Health outcomes like these have placed the state either 49th or 50th in the United Health Foundation's national health rankings for the last 17 years. The challenges to a healthier prognosis for Louisiana come from several fronts. As the foreword to the Foundation's 2008 *American Health Rankings* notes, *"…broad economic, social, political and environmental factors hold as much sway over our health as do the viral or genetic."* Some of the more significant factors that contributed to Louisiana's last place showing in the Foundation's 2008 report include:

Personal Behaviors

- 30.7% of our population is obese placing Louisiana as the third heaviest state. Obesity is known to contribute to a variety of diseases including heart disease and diabetes. The Pennington Bio Medical Research Center's *2008 Report Card on Physical Activity & Health for Children and Youth* gave the state an "F" based on an obesity rate of 36% among its youth.
- 22.6% of Louisianans smoke. Only nine other states have higher smoking rates. Cigarette smoking has been linked strongly to cancer, heart disease; stroke and respiratory illness.

Community & Environment

- Poverty is an indication of the lack of access to adequate healthcare. Nearly 23% of the children in the state live in poverty – placing us 47th in the rankings.
- High school graduation rates are an indicator of an individual's ability to learn about a healthy lifestyle as well as understand and access health care when required. Only 64% of incoming ninth graders will complete all four years, placing us 46th in this category.

Clinical Care

- "Preventable Hospitalizations" is a measure of the tendency for a population to overuse the hospital setting as a site for care. Louisiana averages 111 per 1,000 Medicare enrollees following this approach, placing us 48th in this category. Preventive care of chronic conditions such as diabetes or asthma can reduce these numbers.

Public & Health Policies

- There are 546,349 uninsured adults in Louisiana according to the 2007 Louisiana Health Insurance Survey. Only three other states rank lower in the *American Health Rankings.* The Public Affairs Research Council of Louisiana (PAR) notes that *"Every study shows that insurance coverage improves access to care and leads to better health outcomes."*

During its 2007 regular session, the State Legislature addressed Louisiana's poor health performance in the "Health Care Reform Act of 2007." The Act instructed the state to *"lead the initiative to improve health care outcomes in Louisiana"* and called on the Louisiana Department of Health and Hospitals (DHH) to develop and implement *"a health care delivery system that provides a continuum of evidence-based, quality driven health care service"* for Medicaid recipients and low-income uninsured citizens.

Placing Louisiana's Health First

At the end of 2008, Governor Jindal presented the administration's reform proposal, *Louisiana Health First*, to House and Senate members of the Health and Welfare committees. Since the plan changes how the state manages the Medicaid program, Jindal sought a request to apply for a federal waiver from existing Medicaid regulations.

On December 19th, the Legislature approved the request for the waiver with the caveat that a second round of legislative approvals would be required once negotiations are completed with federal officials. This is in case lawmakers don't like the direction the final product takes.

Legislators told the Baton Rouge newspaper, *The Advocate*, that they *"considered the vote procedural and it did not represent support for a specific health-care delivery model."* According to *The Advocate*, DHH Secretary Levine said he wanted to get the request *"in the pipeline because it could take up to a year to complete negotiations with federal officials."*

"Medicaid" is the federal health program for low income individuals and families.
The state currently spends $7 billion on the program which covers 1.1 million people.

According to DHH, Louisiana's spending on the Medicaid population and the uninsured has almost doubled in the past ten years and is expected to double again over the next ten.

Funding

To launch the plan, the Jindal administration is relying on the use of $350 million in nonrecurring healthcare dollars that are currently sitting in state coffers in the event that Louisiana has to start paying off $770 million that the federal government claims the state either misused or received in error. The debt stems from financial missteps under previous administrations involving the use of federal health-care dollars. DHH Secretary Levine says, "*What we've proposed to the federal government is rather than make us pay you back the 770 million dollars; let us invest those dollars here in Louisiana in expanding access to health insurance*."

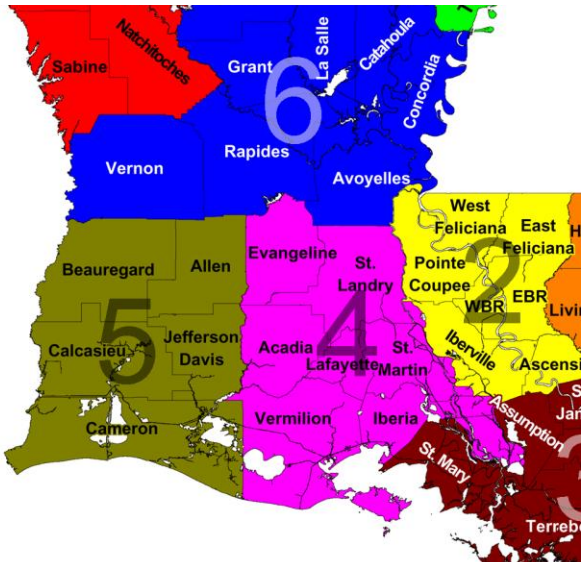
While legislators expressed concern about the use of one-time money to fund an ongoing expense, Levine told the House that it would be a wise investment and "*savings should start adding up to help pay the costs of expanded coverage."* Levine told the Senate, that the proposed reform plan is *"… revenue neutral based on our calculations."*

What follows are highlights of the three major components of the *Louisiana Health First* proposal and concerns that have been raised about them. To see the *Louisiana Health First* plan in detail, visit the Louisiana Department of Health and Hospital's website: http://www.dhh.louisiana.gov/ and click on the *Louisiana Health First* link. To view an analysis of the *Louisiana Health First* proposal by the Public Affairs Research Council, visit the PAR site: http://www.la-par.org/ and click on the *Recent PAR Publications* link.

1- Expand Access to Affordable Health Care Coverage

The *Louisiana Health First* proposal would expand health care coverage in three ways:

- Eligibility requirements would be lowered statewide for parents and caretakers of Medicaid-eligible children who live at or below 50 % of the Federal Poverty Level (FPL). The current eligibility level is 12% of the FPL. This change could expand access to approximately 60,000 additional individuals statewide.
- Medicaid eligibility would be expanded for all individuals living at or below 200% of the FPL in Region 5 (Southwest Louisiana) which has the highest rate of uninsured citizens in the state - approximately 46,000 people. In addition, uninsured individuals making from 200 to 350% FPL would be eligible for a subsidy program where part of their healthcare premiums would be matched by federal dollars and employer contributions to purchase health care coverage.



- A request for federal permission to allow funds used for the hospitalization of the uninsured to also be made available for primary care and other outpatient services. Disproportionate Share Hospital (DSH) payments are federal payments made to hospitals to help cover their costs for providing care to the uninsured. This request would apply to pilot programs in Region 5 and Region 1 which includes Orleans, Jefferson, St. Bernard & Plaquemines parishes.
- As part of the pilot program in Region 5, the W.O. Moss Regional Charity Hospital in Lake Charles would be transformed into a multi-specialty outpatient clinic.

Concerns: PAR feels that any expansion of Medicaid coverage or subsidy program should be available to qualified citizens in all regions of the state. Also, since both approaches involve recurring expenses, they should be developed with a sustainable funding source rather than with revenue made available by the one-time forgiveness of debt owed to the federal government. The expansions are also dependent upon constraints on the state budget which has just faced a $341 million midyear budget shortfall and is projected to face a $2 billion deficit next year.	The state is approaching its federally-mandated cap on the DSH program it has relied on to fund the Charity Hospital System. PAR feels that a comprehensive overhaul of the entire Charity Hospital System is necessary in order to reverse unsustainable growth in Medicaid DSH payments. PAR recommends upgrading charity hospitals in New Orleans, Baton Rouge, Shreveport and Monroe to regional academic medical centers. The remaining six charity hospitals should be transferred to local or regional control, something the proposal for W.O. Moss does not do.

2- Create a Competitive Academic Medical Center

Louisiana's system of ten charity hospitals is managed by the LSU Health Care Services Division. The charity hospitals play two major roles: providing care to the uninsured and training medical students, residents and health professionals. To better serve these dual missions, *Louisiana Health First* would restructure some aspects of the charity hospital system:

- Transfer the governance of the new academic medical center in New Orleans to a not-for-profit entity. Being under a non-state authority, the hospital would be freed up to operate more like a business, able to compete nationally for the best residents, faculty and researchers. Since a strong predictor of where physicians eventually establish their practice is where they complete their residency, this approach, DHH notes, could ultimately reduce Louisiana's statewide shortage of health care professionals.

Concerns: LSU projects the cost of the new academic medical center in New Orleans to exceed $1.2 billion. While the Legislature has committed $300 million to the project, DHH says that the $900 million gap must be closed by reimbursements from FEMA for damage done to Big Charity by Hurricane Katrina. The state argues that FEMA owes Louisiana $492 million for replacement costs. FEMA disputes that it is responsible for replacement costs and has assessed its liability at $150 million. The state may appeal directly to Congress for funding if reimbursement is not adequate from FEMA. Despite the delay, progress on the project continues including acquiring land for the 71-acre hospital and the relocation of 200 homes in the historic Mid-City neighborhood. Groups such as the National Trust for Historic Preservation have encouraged LSU to restore Charity Hospital in lieu of tearing down a neighborhood. But LSU maintains that Charity is not suited for modern medical practice.	

3- Offer Consumers Patient-Centered Medical Homes

The third component of *Louisiana Health First* redesigns the way Medicaid services are provided and paid for:

- Through privately-run managed care plans, called *Provider Service* or *Community Care Networks*, Medicaid patients would have access to a so-called "medical home" of providers that offers a coordinated system of care.
- Medicaid patients will have a choice of insurance plans with the state paying a risk-adjusted premium to private firms. Some Medicaid patients with a higher income would have to pay a co-pay. Currently, the state directly pays physicians, hospitals and others a Fee-For-Services (FFS) delivered.
- The move would be away from the FFS system which rewards volume, toward a system that rewards outcomes. The networks will encourage healthy behaviors and disease management through incentives to patients who pursue them and physicians who recommend them.
- There will be flexibility in the reimbursement of providers by allowing the networks to negotiate rates. This approach will address Louisiana's problem of physician shortages in the Medicaid program according to DHH since currently doctors can only be reimbursed at one rate.
- Networks will be required to implement strong protections against fraud and abuse. Currently, DHH Sec. Levine says, *"My staff spends every day chasing down 54 million claims a year; by the time we pay for fraudulent claims; by the time we identify problems with patterns and delivery of care; it's too late; the claims have already occurred…I call it a pay and chase system."*
- Among other requirements, networks will be obligated to help providers transition to the implementation of electronic health records, a move that DHH says will improve quality of care.

Concerns: PAR contends that introducing a privately-run managed care system will increase administrative costs. Currently, DHH administrative costs run approximately 3 percent, leaving 97 percent of spending directed to medical care. Medicaid managed care organizations, however, typically have 15 percent or more of their expenses going towards administrative costs and profits, leaving even less money available for patient care. That is of particular concern to children in Louisiana who make up about 75 percent of the Medicaid program but only get about 25 percent of the funding, according to Dr. Steve Spedale with the Louisiana Chapter of the Academy of Pediatrics.

The assertion that managed care is the remedy for fraud is questionable, PAR says, citing a $225 million settlement by AMERIGROUP, a large Medicaid managed care company found guilty of defrauding Illinois' state program.

PAR contends Medicaid management is not the problem, noting that the current state-run primary care case management program (PCCM) known as *CommunityCare* is already utilizing many of the same tools as HMO's in order to save money and improve quality. David Hood, PAR's Senior Healthcare Policy Analyst and former DHH secretary says that under the current PCCM, *"… 750 thousand people have a medical home with a primary care physician. That means a lot."*

PAR says that the proposal is based on a Florida model which has not been implemented long enough to determine success or failure. It suggests that other successful models of care should be studied by the Legislature particularly the North Carolina model which coordinates care at the local/regional level rather than at the state level.

While proponents say electronic health records increase the efficiency of doctors, hospitals, drugstores and insurance companies; some consumer groups are concerned with how protected a patient's privacy can be in an era when digital data can be posted on the web with the click of a mouse.

Current Condition

As part of its presentation to the Louisiana House of Representatives in December, DHH addressed concerns about proposing such sweeping reforms at a time when the nation is faced with extreme financial challenges -*"We must reform our struggling health system not in spite of our current economic crisis, but rather precisely because of the impact our health care system has on our economic well being. Our continued rankings at the bottom of education, healthcare and economic opportunity are driving …citizens from the state, while dissuading new businesses to locate here."*

Even though the state Legislature must wait for a response from the federal government before fully debating a final version of the plan, DHH has expressed confidence that *Louisiana Health First* is consistent with proposals at the national level, including President Obama's, which seeks to expand access to private health insurance for the uninsured.

The Public Affairs Research Council notes that while several of the goals of *Louisiana Health First* are generally in alignment with PAR's goals for health care reform, the proposal should be used as a *"starting point for fully transparent stakeholder discussions of all the viable options for statewide, system-wide reforms to improve the quality and access to care for the long term. "*

Dr. Roger Smith, president of the Louisiana State Medical Society is encouraged by the direction of *Louisiana Health First*, and looks forward to a statewide discussion and where it could ultimately lead, "*We'd like to see a day - and i think most of us would - where you don't have charity patients; and uninsured patients, we just have patients and they all have equal access to good medical care."*