



Highlights

Proposed Joint LSU VA Facility

April 20, 2007

The purpose of the recent healthcare facility planning work was to project the estimated demand for hospital-based medical care, as well as the services to be offered by a post-storm, evidence-based academic medical center in New Orleans, and appropriately size the facility to serve that community need. The size and scope of services for such a needed facility provided the basis for a balanced financial plan, a site master plan and space programming for the new facility. The State Office of Facility Planning & Control engaged nationally-recognized consultants and charged them to provide objective analysis and recommendations based on their experience.

Financial Planning Goals:

- Seek to break away from the “Old Charity Model” and transform MCLNO into an evidence-based academic medical center.
 - Create a more balanced financial plan for the new facility by increasing market share and diversifying its payor mix.
 - Create integrated financial and strategic plan in which operations that would not only fund debt service, but also provide adequate excess cash that could be re-invested in the facility for maintenance and upgrades in infrastructure and technology.
- Modeling should attempt to integrate the principles and impact of the Healthcare Redesign Collaborative initiative as it becomes more definitive in focus.

General Planning Assumptions:

- 3-parish service area population (Orleans, Jefferson, St. Bernard) is estimated to be 799,000 by 2015 (82% of pre-Hurricane Katrina population).
- Assuming constant utilization rates, service area hospital admissions are estimated to be 113,000 by 2015 (86% of pre-Hurricane Katrina admissions).
- Approximately 3,100 total beds will be required to service these admissions. 2,200 beds (excluding University Hospital) are currently open in the three parishes.
- Depending on funding levels, the Healthcare Redesign Collaborative’s proposal could increase indigent utilization and may or may not more evenly distribute indigent patients among area hospitals. This may result in a need for additional beds at MCLNO.

Baseline Scenario (361 Beds):

As a starting point, the consultants examined the economics of the new facility under a “business-as-usual scenario”.

- Prior to Hurricane Katrina, MCLNO had approximately 13.1% market share and treated more than 63% of the indigent.
- If MCLNO’s market share and payor mix were consistent with pre-Hurricane Katrina levels, the facility would have an average daily census (ADC) of approximately 289 patients by 2015.

LSU and VA Memorandum of Understanding

- Early in 2006, the VA and LSU signed a Memorandum of Understanding (MOU).
- In the MOU, both agreed to conduct analyses to determine if any “mutually-beneficial consolidation” should occur between the two.

Collaborative Opportunities Study Group (COSG)

- VA/LSU leaders conferred on potential sharing:
 - Clinical Areas.
 - Facility Sharing.
 - Support Service Sharing.
- Initial COSG report found upfront costs relatively neutral, but \$400.0M+ in operational savings.

Potential Cost Avoidance

Real savings of this approach will not so much come through first capital costs, but rather through:

- Operational Efficiencies.
- Site Maintenance Costs.
- Shared Support Services.
- Cooperative Agreements Generating Operating Revenue.
- Security Site Issues.
- Redundancy for Emergency Issues.
- Parking.
- Energy Efficiency Savings
- Life Cycle Costs.
- FTE Reductions, as Compared to the Original Program.

Project Timeline

- Planners will finish a program that works operationally for LSU by the end of April 2007.
- Division of Administration to select design firm for MCLNO portion in May 2007.
- Joint design efforts to begin in May 2007.
- Construction to begin in earnest end of 2008.
- Doors opened mid-2012.

Project Next Steps

- State selects Architect/Engineer.
- Pre-land acquisition activities continued; additional acreage considered for partnership.
- COPG finalizes and presents for consideration a shared services matrix, which requires LSU and VA approval/agreement.
- Continue FEMA negotiations on MCLNO damage.
- Seek approval for balance of funding required.