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LSU System board to vote on new president **Associated Press | 07.13.07**

BATON ROUGE, La. (AP) - The board overseeing the LSU System's 11 institutions voted Friday to hire as its new president the outgoing chief of the University of Massachusetts' main campus.



John Lombardi had been recommended for the job last week by an LSU search committee. Members of that panel praised his credentials as an administrator, and said they liked his outspoken style that has attracted attention through five years at Amherst and nearly a decade overseeing the University of Florida.

The system president is responsible for a \$3 billion annual budget and institutions including the main campus in Baton Rouge, the University of New Orleans, medical schools in New Orleans and Shreveport, and charity hospitals statewide.

Lombardi takes over from current President William Jenkins, who is retiring. Jenkins is paid \$373,000 per year, plus \$30,000 for housing. Lombardi's salary would be negotiable, said Charles Zewe, a spokesman for the system.

Lombardi made \$343,772 in fiscal year 2006-07 at Amherst, plus a \$24,067 supplement. He lives for free on campus in the chancellor's house.

Lombardi said he decided to leave UMass after a dispute with trustees over plans to streamline Amherst and four other campuses.

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N.O. hospital means better care for veterans

Times – Picayune | 07.13.07

Re: "A healthy choice," Our Opinions, July 11.

Thank you for exposing the unspoken but clear motivations of some members of the House Committee on Veterans Affairs. Monday's hearing on the veterans' hospital was more full of red herrings than a North Atlantic seal.

The chief herring is the "flood-prone zone." Clearly, the newly constructed VA hospital and LSU Academic Medical Center will have to be planned to survive many threats, including flooding, and it will be designed to do so, but would Florida Rep. Jeff Miller argue that no federal facility should ever be built in an area vulnerable to natural or man-made threat?

This would surely preclude construction of such a facility in his own district, and with the continuing threat of acts of terror everywhere in America, perhaps we could never again build a federal facility.

The suggestion that constructing the facility downtown will take longer than it would in another location is just as specious.

As VA officials themselves clearly stated, the timeline for building this facility is a product of its size and complexity -- neither of which would change substantially in another location, nor would the time to build the facility.

Veterans have the best opportunity for access to leading-edge care at new hospital that has direct access to the health care professionals, translational research and technology of the Tulane and LSU Academic Medical Centers.

Although organizations like the Downtown Development District have a variety of reasons for wanting the VA and LSU to be downtown -- and we are honest about our motives -- we earnestly believe that the result will be better health care for veterans and all Louisiana citizens.

Kurt M. Weigle
President and CEO
Downtown Development District
New Orleans

<http://www.nola.com/timespic/stories/index.ssf?/base/news-9/118431032363640.xml&coll=1>

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Expected new LSU System chief shares his vision

The Daily Advertiser | 07.13.07

Mike Hasten

BATON ROUGE - John Lombardi, expected to be named the new president of the LSU System today, envisions LSU as becoming among the elite universities in the country and has a plan for getting there.

"LSU is an extraordinary place," Lombardi said in a gathering with reporters. He said it already is "one of this nation's premier research universities with a system that is strong and complex and interesting. And, with the acquisition of and the involvement of all of the health-care institutions, it makes it one of the most dramatically effective organizations in the country."

But it's not quite at the top, he said.

"There's no question that LSU, if you look at it from the outside, has the capacity to be not only an outstanding institution but a premier national institution," he said.

Lombardi comes to the job serving as chancellor of the University of Massachusetts in Amherst since 2002 and formerly serving as president of the University of Florida 1990 to 1999.

He said it's easy to think LSU and think of only the main campus in the capital city. But it's a complex system with everything from a junior college through graduate research programs on academic campuses in five cities, a law school, an agriculture school, a dental school, two medical schools and a system of hospitals and clinics around the state.

Lombardi said he envisions his new job as administrative and not taking a hand in the day-to-day operations of the various schools. But he said he will expect each department and campus to meet certain standards - standards that are set individually to that campus' role in the system.

"All high quality academic enterprises are driven from the bottom up, not the top down," he said. The system head should set goals and see that chancellors and deans achieve those goals.

Success, he said, is achieved by "delegating authority and responsibility" to local campus heads. "If you don't deliver authority and responsibility at the same time, you can't expect performance."

Lombardi said the most difficult part of his job will be to have every part of the university system performing at its peak and working together.

"It isn't necessary that everybody hold hands and sing songs," he said. "It isn't necessary that everybody preach the same gospel. But it is necessary that they do what they do at the highest level that's possible."

"The key to raising academic standards is to be clear exactly what you expect from the institutions," Lombardi said. He said the system should compare each campus and program "to the best of its type in the nation and then say 'are we living up to that standards' and if not, 'what can we do to live up to that standard?' We measure ourselves against the best of our type in the nation."

Unlike most major university systems, LSU still has a two-year institution in Eunice and a fledgling four-year campus in Alexandria.

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"The future of each of these institutions has to do with what its mission is," Lombardi said. "A two-year institution's mission is much different from the mission in Baton Rouge.

"What you have to say to a two-year institution is 'what is your mission and are you performing it' and 'is that a mission that is effective for the people you serve and are you doing it well?'

"If the answer is yes, then it has a future. If the answer is no, then you have to say 'can we make this institution an effective provider of those particular mission-based services to its region?'

"If that answer is 'yes, we need to do some things and then they can,' that's what you do," he said. "If the answer is 'no, there's no hope, the place can't provide it, can't do it, can't have it,' then we have a difficult decision.

"But in most cases," Lombardi said, "these institutions turn out to be providing high quality services to a defined constituency at a scale that's appropriate to what they're doing. So if that's the case, then you want to encourage them and help them get better."

The president-nominee said that like the academic institutions, he wants to find out if the LSU hospitals are performing up to their potential and if not, what they need to do it.

"It's very clear that LSU has been given a mandate to provide high-quality health care through its hospital and clinical system to the people of Louisiana," he said, "The way that is accomplished in every university-based medical center is the synergy between the hospital enterprise and the medical education enterprise."

Lombardi said LSU is not unusual in having a hospital system. Major research schools have large hospitals, he said, and it's not unusual to have smaller hospitals affiliated with the major facilities.

He described LSU's takeover of the state charity hospital system as "an adventure" and building a new hospital in New Orleans "a tremendous challenge."

Lombardi said he doesn't yet have any funding goals for the university system but he is happy Gov. Kathleen Blanco and the Legislature agreed to fund LSU and other state universities at at least the same level as their peers across the Southern Regional Education Board states.

<http://www.theadvertiser.com/apps/pbcs.dll/article?AID=/20070713/NEWS01/707130326/1002>

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Our Views: Public left out of LSU pick Advocate Opinion | 07.13.07

The LSU Board of Supervisors is expected today to name John Lombardi, departing chancellor of the University of Massachusetts at Amherst, as the next president of the LSU System.

During a news conference at LSU Wednesday, Lombardi was asked how he had prevailed over other candidates to become the candidate selected by LSU's search committee.

"I have no idea because I don't know who the other candidates were, and you don't, either," Lombardi said.

That's the biggest problem with LSU's search for a new system president, which has been conducted mostly in secret. The public has no clear idea of who else was considered for the job, so the public can't know whether the best candidate prevailed. That's no way to pick the head of a public institution supported by taxpayers, particularly an institution so central to the future of Louisiana.

The LSU System president oversees the flagship campus in Baton Rouge, four other academic campuses, two medical schools, a law school, an agriculture center and the state's charity hospital system. LSU's importance in education and health care underscored the need for an open search for the person to succeed outgoing LSU System President William Jenkins.

Instead, LSU officials kept most details of the search secret, claiming that an open search could scare away the best candidates.

At Wednesday's news conference, Lombardi was asked whether the closed search that yielded him as the search committee's only choice was the best way to do business. Lombardi would say only that in his experience, both closed searches and open searches can yield either good or bad results.

That's the most diplomatic answer, to be sure. But we believe the best way to ensure public accountability for a public institution is through open searches for the top leadership.

One big problem with secrecy in any institution is that once it's indulged, even for ostensibly good reasons, the habit becomes hard to break. Secrecy creates a climate in which institutions look inward, toward narrow internal interests, rather than outward, toward the public interest.

We have seen that played out in the week since Lombardi was named as the search committee's pick to be system president. Presumably, with the search now effectively over, LSU officials no longer had a rationale to hold their cards so close to the vest.

Lombardi's selection as the favored candidate offered an ideal opportunity for LSU officials to stage forums, perhaps over the course of a couple of weeks, where the public at large could take stock of him.

But Lombardi's arrival in Baton Rouge on Wednesday marked his first trip back to Louisiana since being selected by the search committee last week, according to LSU System spokesman

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Charles Zewe. Lombardi's schedule included a news conference open to members of the media, but not the general public. Lombardi also was scheduled to have a closed meeting with university chancellors Thursday, and another meeting with a group of various LSU representatives. Zewe said the media could attend the meeting between Lombardi and the various LSU representatives, but the general public would not be invited.

After months of searching for a new president, LSU officials seem determined to speed Lombardi's appointment through. Their haste has prevented any reasonable opportunity for members of the public to gauge Lombardi for themselves.

By delaying consideration of Lombardi's candidacy just a bit longer, LSU officials could have allowed him to visit more of the institutions under LSU's umbrella and let Louisiana residents get to know him.

Instead, we've had a rush to judgment.

If Lombardi is approved today as the next president of the LSU System, we wish him well. If he succeeds, then Louisiana stands to prosper from his success.

But if Lombardi does succeed in commanding public confidence, we believe it will be in spite of, not because of, the regrettable search process that brought him here.

<http://www.2theadvocate.com/opinion/8477517.html>

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Blanco cuts fraction from the record \$30 billion spending plan

The Associated Press | 07.13.07

By DOUG SIMPSON

BATON ROUGE, La. (AP) — Gov. Kathleen Blanco on Thursday cut about \$65 million from this year's state budget, a small fraction of a record \$29 billion spending plan she approved.

Most of the spending eliminated by the governor, \$64 million, would have gone to a fund which pays for barrier island stabilization and preservation. In her letter explaining her cuts, Blanco argues that the money will instead come from sale of Louisiana's 1998 settlement money from the cigarette industry — a move that angered lawmakers who oppose selling that money.

Rep. Steve Scalise said the Blanco administration neglected to get approval from the Legislature for sale of the cigarette money. Scalise said a large number of legislators are opposed to the sale, in the belief that the state would benefit financially by holding on to the money and continuing to receive payments from the industry.

"So the only way you get this money for the barrier islands is that you approve this sale of the tobacco settlement? That's a real dangerous game of Russian roulette to play with our coast," said Scalise, R-Metairie.

Kimberly Robinson, a Blanco aide, said a vote on the matter was scrapped because lawmakers had complained that they didn't have enough information. Robinson said lawmakers learn more about the issue, then vote on the matter — while they're not in session — with mailed-in ballots.

Scalise called that method secretive.

"If they think information is what's needed, then we should have a debate in the House, in public," Scalise said. "A mail ballot is not the way to treat our coast or the people who have legitimate concerns about giving up the tobacco settlement."

In a written statement about the budget, Blanco focused instead on the \$700 million that will go to education.

"This budget puts education first, where it belongs," Blanco said.

One-quarter of the budget will pay for education programs and another quarter will cover health care services. About \$8.4 billion is direct federal recovery aid for hurricanes Katrina and Rita. Spending will be increased in nearly all major areas. More than 1,100 new jobs will be added to state government.

Other cuts in the spending plan were for smaller projects, including elimination of \$75,000 for Southern University marching band scholarships and \$40,000 for a tractor for an Iberia Parish agricultural facility.

Blanco's office said Thursday that the governor has also signed:

_A handful of tax breaks aimed at utilities, dairies, paper mills, consumers buying hurricane supplies and companies that have "apprenticeship programs" for young people. Combined, the bills will equal a \$2.5 million drop in state revenue this year and an estimated \$14.2 million drop in 2008.

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_Two measures that Blanco supported that are aimed at improving the property insurance market in Louisiana. One will eliminate the state body that regulates insurers, the Insurance Rating Commission, in January. The other allows the state Department of Insurance to offer private insurance companies grants of up to \$10 million if they agree to begin writing new commercial and homeowners policies along the coast. The industry strongly supported both bills.

_A bill giving pay raises, beginning next year, to the governor and other statewide elected officials. The governor's salary goes from \$95,000 to \$130,000 a year, after Blanco's out of office. Positions getting pay raises from \$85,000 to \$115,000 are: agriculture commissioner, lieutenant governor, secretary of state, treasurer, attorney general and insurance commissioner.
<http://www.nola.com/newsflash/louisiana/index.ssf?/base/news-33/118428658242520.xml&storylist=louisiana>

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Largest state budget in history signed into law

Times – Picayune | 07.13.07

Blanco slashes a bit from \$29 billion plan

By Jan Moller

BATON ROUGE -- Gov. Kathleen Blanco signed the largest state budget in history into law late Thursday after using her line-item veto authority to strike a handful of spending items, including \$64 million to help restore barrier islands in the Gulf of Mexico.

The \$29.7 billion state operating budget creates more than 1,200 new state jobs and includes raises for almost anyone who collects a paycheck from state government. Less than one-third of the money -- about \$8 billion -- is from the state general fund, with the rest coming from the federal government and money that state agencies generate on their own through sales and user fees.

The federal money includes about \$8 billion for hurricane relief.

"This budget is larger than usual because it includes the federal Road Home money," Blanco said. "It invests heavily in the health care, infrastructure and housing needs in the storm recovery areas."

Blanco issued 10 separate line-item vetoes, most of them striking minor spending items or "language" amendments directing how certain money should be spent. The biggest cuts by far were two appropriations totaling \$64 million that would have been paid out of the Barrier Island Stabilization and Preservation Fund.

Linked to tobacco plan

In her veto message to the Legislature, Blanco said she supports the barrier islands project. But financing for the project is dependent on lawmakers approving a plan to generate \$1.6 billion by selling the remaining 40 percent of Louisiana's legal settlement with tobacco companies and refinancing the rest. Administration officials have been pushing the plan for months, but it needs majority approval by a reluctant House and Senate.

A plan to bring the tobacco settlement proposal to a vote was postponed in the waning days of the session amid opposition from state Treasurer John Kennedy and House Republicans, who said it will prove too costly in the long run.

Even if the tobacco settlement is approved, Blanco said the money can't all be spent in the current fiscal year.

"In the event of securitization (of the tobacco settlement), only the amount of funding required to meet the cash needs for projects in fiscal year 2007-08 should be budgeted, rather than the entire fund balance which will be spent over multiple years," Blanco wrote in her veto message. Abstinence money cut

Also cut from the budget was \$500,000 for the Governor's Program on Abstinence added by Rep. Gary Beard, R-Baton Rouge, which would have taken effect only if federal support for the abstinence program dries up. Blanco said she vetoed the spending because it potentially could require cuts in other public health programs, such as immunization and child nutrition.

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With state revenue soaring because of record energy prices and strong post-hurricane economic activity, lawmakers poured unprecedented amounts of new money into education; raised the reimbursement rates for doctors, hospitals and nursing homes that treat Medicaid patients; and expanded the number of children eligible for government-paid health insurance.

They also set aside more than \$62 million for "special legislative projects," hundreds of earmarks that provide money for festivals, firetrucks, nonprofit groups and other pet projects sponsored by individual lawmakers. That's nearly double the \$33 million in last year's budget.

Band, arena cash vetoed

Blanco left nearly all that spending intact, with a few exceptions. She cut \$75,000 targeted for marching band scholarships at Southern University, saying it was unfair to single out one marching band above all others, and \$40,000 to buy a tractor for the SugArena in Iberia Parish, on the grounds that the arena generates enough money to buy its own equipment.

Still, the size and growth of state spending has attracted sharp criticism from Republicans, who favor reduced spending and want more money devoted to cutting taxes. Rep. Steve Scalise, R-Jefferson, said Louisiana is living in a "false economy" artificially buoyed by hurricane reconstruction and predicted the next governor likely will be forced to make significant budget cuts.

"It's going to be very important to reduce the size of government," Scalise said.

Blanco also signed House Bill 2 by Rep. Taylor Townsend, D-Natchitoches, the \$7.6 billion budget for state construction projects. She did not veto any projects in the construction bill, which is financed with cash and bonds and includes \$74.5 million to buy land for a proposed Louisiana State University teaching hospital in downtown New Orleans.

<http://www.nola.com/news/t-p/capital/index.ssf?base/news-5/118431013963640.xml&coll=1>

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Blanco signs budget bill

The Advocate | 07.13.07

By MICHELLE MILLHOLLON

Gov. Kathleen Blanco signed a \$29.7 billion state operating budget Thursday that gives teachers a pay raise, boosts compensation for foster care parents and creates more than 1,000 new state jobs.

The governor vetoed 10 amendments that lawmakers added to House Bill 1, the budget legislation for the state fiscal year that began July 1.

Some of the line item vetoes were technical tweaks, such as stopping the state from putting \$64 million into a fund for the restoration of barrier islands.

During the session, lawmakers responded coolly to Blanco's proposal to rework the state's tobacco settlement to generate the \$64 million.

State Sen. Reggie Dupré, D-Houma, said he is disappointed the money did not materialize.

"We don't have many years left for some of these fragile barrier islands," he said Thursday night.

The governor's special counsel, Kimberly Robinson, said the barrier islands will not be neglected.

The \$64 million was not the project's sole source of funding, she said Thursday night.

"This was additional money that would have accelerated (the restoration)," said Scott Angelle, secretary of the state Department of Natural Resources.

Blanco also used her line item power to nix \$75,000 for marching band scholarships at Southern University, a \$40,000 tractor and \$25,000 for conservation equipment.

She stopped the transfer of \$500,000 from the Office of Public Health to an abstinence program, saying the shift in money would reduce funding for immunizations, nutrition services and other health-care programs.

Her other vetoes blocked legislators' attempts to flex their authority.

For example, Blanco objected to an attempt by state Sen. Cleo Fields, D-Baton Rouge, to limit the authority of higher education boards in the day-to-day operations of the institutions they oversee.

"This attempt to redefine the role of management boards is contrary to constitutional and statutory authority," the governor said in her veto message.

In another veto, Blanco stripped an amendment from HB1 that directed the Southern University Board of Supervisors to build an agricultural facility in Opelousas.

The governor objected to lawmakers trying to tell Southern where to build the facility, Robinson said.

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Blanco signed the budget bill before hosting an evening of live country music at the Governor's Mansion.

The budget is about \$3 billion larger than the plan approved by legislators for the previous state spending year.

Republican lawmakers objected to the size of the long-term spending pushed by the governor, who writes the budget proposal.

The Blanco administration points out that HB1 includes \$8 billion in hurricane recovery funding from the federal government.

The budget calls for:

- A \$2,375 across-the-board pay raise for public schoolteachers.
- \$30 million for a state preschool program.
- \$500 million in additional health-care funding.
- \$8.4 million for Councils on Aging and senior citizen centers across the state.
- \$442 million to run the state's correctional centers.
- \$109 million for State Police to patrol highways and interstates, to inspect commercial trucks and to regulate tow trucks and wreckers.
- \$71.4 million for additional "waiver slots" to provide home and community based services to the elderly, the disabled and people suffering from Lou Gehrig's disease.

The budget also funds hundreds of "pet" projects in legislators' districts — everything from firetrucks and tractors to ballparks and bridges.

The governor consented to spending \$295,000 on festivals and fairs, including \$50,000 on a Baton Rouge balloon festival.

Churches netted \$505,000 in the budget. Some of the church funding is earmarked for programs such as after-school tutoring and community support. Other allocations simply list the church and a dollar figure.

<http://www.2theadvocate.com/news/8479687.html?showAll=y&c=y>

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Lombardi airs UMass dissent

Masslive.com | 07.13.07

By DIANE LEDERMAN

AMHERST - University of Massachusetts at Amherst Chancellor John V. Lombardi said his disagreement with changes proposed by the UMass president and trustees prompted him to seek a new job - which he is due to get today.

Lombardi, expected to be appointed the next president of Louisiana State University today, answered questions about the UMass situation for the first time since May when he met with news reporters in Baton Rouge, La.

"I don't agree with the way in which they imagine the University of Massachusetts will function," Lombardi said Wednesday. "It seemed only appropriate for me to think of other opportunities."

UMass President Jack M. Wilson unveiled in May a reorganization proposal that included combining the president's and Amherst chancellor's positions into a single position - with the system president also presiding directly over the flagship campus.

Under the plan, Lombardi was to leave the \$347,500 per year chancellorship and take a sabbatical before returning as a consultant and professor.

Lombardi, in describing the sequence of events that caused him to look for a new job, told reporters that former Gov. W. Mitt Romney "came in with a very dramatic and elaborate plan to reorganize public higher education in the state.

"That plan did not prosper, although it resulted in the departure of the previous university president of the system of the University of Massachusetts," Lombardi said, referring to Romney's successful attempt to force former UMass President William M. Bulger from office.

"The previous governor appointed a whole bunch of new people to the board of trustees, and they immediately initiated a bold new agenda to reform the way in which the University of Massachusetts would function," Lombardi said.

"Then they (the people of Massachusetts) elected a different governor from a different party," he said, referring to Gov. Deval L. Patrick, elected last year.

"Everybody imagines there will be more changes coming down the road, but who knows," Lombardi said.

Wilson, responding to criticism of his reorganization proposal, backed off the initial plan - but some faculty and legislators accused Wilson and the Board of Trustees of forcing Lombardi out.

Lombardi formally applied for the Louisiana State presidency on July 2, although he confirmed that he had been in discussions with LSU officials for longer than that.

UMass Board of Trustees Chairman Stephen P. Tocco said that Lombardi broke off contract negotiations in Massachusetts in April.

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"I'm assuming he was far down the road in the LSU search," Tocco said. "He didn't want to play a system role. I found it interesting that's he now going to head a system."

Lombardi, in his letter to LSU, wrote, "Over the years, all of us in higher education have watched the growth of the campuses, programs and other activities of LSU with admiration."

The LSU system is made up of 11 institutions, including the flagship campus in Baton Rouge, as well as the state Health Care Services Division, which manages nine of the state's public hospitals.

Lombardi expressed "my appreciation for being invited to discuss LSU with you."

A presidential search committee was appointed in September. But LSU also hired consultant R. William Funk, of Dallas, who launched a private search.

Four days after Lombardi's official application, the Presidential Search Committee decided that he would be the best and only candidate recommended to the university's board of supervisors for approval today.

Committee Chairwoman and Board of Supervisors member Laura A. Leach said last week that Lombardi "fulfilled our requirements."

The 17-member committee, which includes five board of supervisors members, recommended Lombardi on a unanimous vote, she said. Final approval requires a majority vote of the 16-member board of supervisors.

"We were very impressed by his knowledge, his experience, his candidness. He's certainly very forthright with his answers, which we all liked," Leach said

The Board of Supervisors meeting will be available today via live Webcast at the following Internet address: www.lsusystem.lsu.edu/

Current LSU President William L. Jenkins announced plans to resign about 18 months ago, but has continued in the job.

Leach said she was hoping that Lombardi would be able to begin work in September.

Meanwhile, the UMass Board of Trustees has been gathering names of people to consider for appointment as interim chancellor in Amherst, Tocco said. They will be presented to Wilson, who will then make a recommendation to the board for approval.

Tocco said he has named Trustee Jennifer Braceras to head the chancellor search committee. And they are beginning to "fill out" that committee.

They hope to have a committee in place by the end of the month, Tocco said.

Bill Barrow, a reporter for the Times-Picayune in New Orleans, contributed to this report. <http://www.masslive.com/hampfrank/republican/index.ssf?/base/news-2/1184316154292550.xml&coll=1>

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How Medicaid Rates Tripped Up a Small Hospital

Wall Street Journal | 07.12.07

By CONOR DOUGHERTY

In the complex world of hospital financing, sometimes the difference between turning a profit or posting a loss can amount to how well one understands the Medicaid rate structure.

That is a lesson North General Hospital, a small community hospital in Harlem, N.Y., is learning as it revises its financial results for the 2005 fiscal year to show a \$6.2 million loss. Until last week, the hospital was reporting to the media and on its Web site that it produced a \$2 million surplus in fiscal 2005, which would have been the first profit in its history. Furthermore, the hospital said last week that for fiscal 2006 it expects to record a loss of \$7.1 million.

North General was the subject of an article in The Wall Street Journal in 2006 that chronicled how the 200-bed hospital, which caters mainly to the poor and elderly, turned its finances around partly by moving away from low-margin routine checkups and physical exams to treating higher-margin ailments that affect inner-city residents in high rates, including cardiovascular problems, hypertension, obesity and infant mortality.

However, the hospital now says the services it offered to patients brought in less revenue than it initially estimated. Inner-city hospitals like North General get most of their revenue through a series of reimbursements from government programs such as Medicare and Medicaid and from insurance companies. The amount of government reimbursements is derived from a complicated formula that takes into account a range of factors, such as local labor costs and the volume of services the hospital provides. The level of reimbursement can change retroactively, which sometimes catches hospitals off guard.

That, apparently, is what happened at North General. The hospital "simply overestimated revenue," says John Maher, North General's chief operating officer.

As a result of the change in its reimbursement level, North General had to return \$3.2 million to Medicaid and \$500,000 to Medicare for the 2005 fiscal year. In addition, North General said it overestimated the amount it would collect from insurance companies and patients.

Liz Sweeney, a health-care analyst at credit-ratings service Standard & Poor's, said such changes aren't uncommon. "It happens. There's a lot of estimation that goes into accounting in general, and in health care, there's perhaps more estimation," she said. "You can get outright fraud and sloppy accounting, but you can also get people who with the very best intentions get caught in the complex web of reimbursements that is American health care."

North General says it has made adjustments to its projections going forward. The hospital is also discussing an arrangement with Mount Sinai Medical Center, one of New York's most prominent teaching hospitals, located just a mile away from North General, where Mount Sinai would manage North General's billing and finance operations. The Commission on Health Care Facilities in the 21st Century, a panel created by former New York Gov. George Pataki to review health care in New York state, last year recommended North General strengthen its relationship with Mount Sinai to a "passive parent relationship."

http://online.wsj.com/article/SB118419890598463988.html?mod=health_home_stories

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