

Frequently Asked Questions

Proposed Joint LSU VA Facility

April 20, 2007

Why does New Orleans need an MCLNO hospital at all?

- New Orleans bed need in 2016 projected at 3,132. Current supply is 2,242, leaving a need for 890 beds.
- Indigent care crush on remaining New Orleans healthcare providers and issues with medical education make a good case for a new University Hospital.
- Absolute need for a Level I Trauma Center in the New Orleans metropolitan area in appropriately sized space. University Hospital is too small.
- Need to provide clinical education platform for LSU and Tulane Schools of Medicine.
- Need to augment and expand medical research opportunities: create economies and improve access to patients and core equipment by expanded collaboration.
- Need to serve special needs populations, such as prisoner, psychiatric, HIV and high-risk OB.
- Potential substantial operational cost avoidance in partnership with the VA.
- This is not unique to Louisiana, as many public and academic teaching hospitals are going through major renewals or replacement.

What is the estimated bed need based upon?

- Re-population was tied to the extent of Hurricane Katrina-related flooding in a given ZIP code.
- Certain degree of in-migration.
- Three hospitals remain closed – admissions re-distributed per pre-storm market share.
- Strategy improvements – Level I Trauma Center – ortho and neuro service line strategies.
- Applying contemporary benchmarks of shorter patient lengths of stay due in part to all single patient rooms.

Why not renovate/expand University Hospital?

- FEMA-supported renovation of University Hospital has rendered it an “interim facility”, and current use must be discontinued in five years per FEMA guidelines.
- Even if possible, University Hospital is relatively landlocked, preventing significant expansion.

Will the new MCLNO just further the old “Charity Model”?

No. The new hospital will seek to evolve toward a true evidence-based modern academic medical center through:

- Continued commitment to indigent patient care.
- Continued high-quality outcomes.
- Disease Management outreach will seek to decrease ED visits.
- Leadership in training of new physicians.
- Develop and expand research capability.
- Produce enough cash to fund necessary capital renewal.
- Act in a more rational manner with a more favorable payor mix.

How will the new academic medical center be paid for?

Initial funding will come from three sources:

- \$300.0M from the Louisiana Recovery Authority.
- At least \$100.0M anticipated from FEMA negotiations on damage to MCLNO.
- Balance to come from revenue bonds, which will be serviced by the operations of the facility going forward.

Why so expensive? A 484-bed hospital shouldn't cost \$1.2 – \$1.4 Billion.

- Academic medical center (size, technology, equipment).
- Not just hospital – includes ambulatory clinics building, central energy plant, structured parking, etc.
- Costs (not just construction, but rather all-inclusive) include land acquisition, soft costs, equipment, interim construction financing, etc.
- Federal standards due to partnership with the VA.
- New disaster regulations.
- Construction labor pricing uncertainty.
- Construction escalation.

Does this plan take into account healthcare redesign?

Yes:

- If indigent use rates increase, but redistribution of patients doesn't occur, then MCLNO would need additional capacity.
- If use rates increase, and patients are more evenly distributed among area hospitals, then MCLNO would have slight excess capacity.

What services will be provided at the new academic medical center?

Standard complement of services expected at an academic medical center – Level I Trauma services, with particular emphasis on orthopedics, neurosciences, and general medicine.

Will the new academic medical center require additional tax dollars to fund?

No. The plan was developed to keep the current state appropriation at a constant level. DSH funds would increase proportionate to increased indigent care.

Will psychiatric services be offered at the new academic medical center?

Yes. 68 psychiatric beds and a Crisis Intervention Unit are planned for the new facility.

Will all LSU outpatient clinical services be provided at the new campus?

All specialty outpatient clinical services will be provided at the new campus, with the majority of the primary care clinics distributed around the City, out in the various communities.

What would happen if this project did not go forward or was substantially delayed?

- The LSU and Tulane schools of medicine would be substantially weakened, and higher education in general would suffer.
- Louisiana would continue to have (and potentially worsen) already severe physician and health professional shortages/crises due to limited training opportunities in the state.
- Area hospitals would see increasing numbers of patients with little or no means to pay, thereby weakening the entire healthcare system in the state.
- The opportunity to create a large number of skilled, well-compensated jobs would diminish.

What is the cost of delay?

Current escalation is tracking at 1% of Project Cost per month (about \$10.0M/month).

What happens if the VA builds elsewhere?

- Operational savings of partnership will be gone.
- Cost of building decreases only marginally.
- Cash flow required to service the debt decreases only marginally.

What will be the impact on access and availability of clinical care?

With decentralization of primary care into the community, we anticipate more rapid access to primary care. Utilization of telemedicine technology.