LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

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LOUISIANA STATE UNIVERSITY HEALTH CARE SERVICES DIVISION NETWORK HOSPITAL CLOSURE/PRIVATIZATION

BATON ROUGE – The state will have to pay approximately $26 million in annual costs and $42 million in one-time expenses once plans to privatize six of the seven hospitals now run by Louisiana State University's Health Care Services Division are completed, according to an informational report released Monday by Legislative Auditor Daryl Purpera's office.

The study, designed to provide legislators with information "relating to the closure/privatization of the hospitals and the related impact of those actions," points out that state officials are still searching for ways to pay for the costs.

The seven hospitals, including HCSD headquarters in Baton Rouge, have already eliminated 1,791 state positions and another 5,287 positions may be eliminated when hospitals are turned over to private management companies.

The only hospital not now scheduled for privatization is Lallie Kemp Regional Medical Center in Independence, although LSU officials have indicated they hope to turn it over to a private company within three years. That facility has seen the reduction of 42 positions in the last three years; there were more than 350 workers employed there as of mid-February.

As of April 15, Our Lady of the Lake Regional Medical Center in Baton Rouge assumed certain services of the now-closed Earl K. Long Medical Center in the capital city. As of April 16, Our Lady of the Lake has employed 314 state employees previously employed by Earl K. Long. During the past three years, EKL Medical Center reduced its staff by 515.

LSU officials hope to complete privatization plans by June 24 of four other facilities: the Medical Center of Louisiana at New Orleans, which could lose as many as 2,014 state employees and has already lost a previous 529 in the last three years; University Medical Center at Lafayette, which could lose 773 state employees in June after having lost 265 in the last three years; Leonard J. Chabert Medical Center in Houma, scheduled to lose as many as 810 state employees after having already lost 185; and the Walter O. Moss Regional Medical Center in Lake Charles, which is scheduled to lose up to 340 state employees after having lost 67 during the last three years.

The Washington-St. Tammany Regional Medical Center in Bogalusa also will be privatized, but no anticipated date has been announced, officials said. Over the past three years, 115 state jobs have been eliminated and another 538 are expected to be reduced when the privatization is completed.

The report said that the state estimates that it will owe $29 million to workers in termination pay and another $13 million in unemployment insurance benefits once the final approval is given to the privatization.

The ongoing – or “legacy” – costs of the hospital retirees’ health insurance and life insurance benefits are estimated to cost the state about $26 million annually.

The university’s health care services division will have “limited future income to pay health benefits legacy cost, and the termination and unemployment cost were not planned for in the 2013 budget,” according to the report. “According to HCSD, the Division of Administration and the Department of Health and Hospitals are aware of this expense and are working to find a mechanism to fund them.”

With the elimination of almost 5,300 more jobs, the report noted, there will be fewer active state employees paying into retirement systems.

“This will have an effect on the premium contributions the retirement systems use to pay benefits for active retirees,” the analysis said. “The employer and employee portion of contributions to the retirement systems during fiscal year 2012 for HCSD and hospitals as a whole, was approximately $90 million. It is anticipated that many employees will take early retirement which may also increase the retirement systems’ payouts.”

For more information, contact:
Daryl G. Purpera, CPA, CFE
Legislative Auditor
225-339-3800