

# CHANCELLOR'S Notes



June 26, 2009

## The Academic Medical Center MOU-- The Real Story

Much has been written and said about LSU's amendment to the proposed memorandum of understanding (MOU) regarding the new academic medical center brought before the LSU Board of Supervisors on June 22, 2009. I feel it is important for you to fully understand the issues, the actions taken by the LSU Board of Supervisors, and to correct misinterpretations and mischaracterizations being disseminated in the community.

LSU has negotiated in good faith for the past year to reach a fair and equitable agreement to manage the new academic medical center, inclusive of the needs and contributions of Tulane, Xavier, Dillard, and our other academic partners. Governor Bobby Jindal, who has always supported the building of an academic medical center in New Orleans to replace the destroyed Charity Hospital, charged us with creating a structure that would not impinge upon the State's bond cap.

A new model of care for New Orleans, the academic medical center which includes a 424-bed teaching hospital and associated medical complex, will be managed by a not-for-profit organization. The organization must be able to borrow \$400 million on the bond market to complete the financing for the new

blocks away.

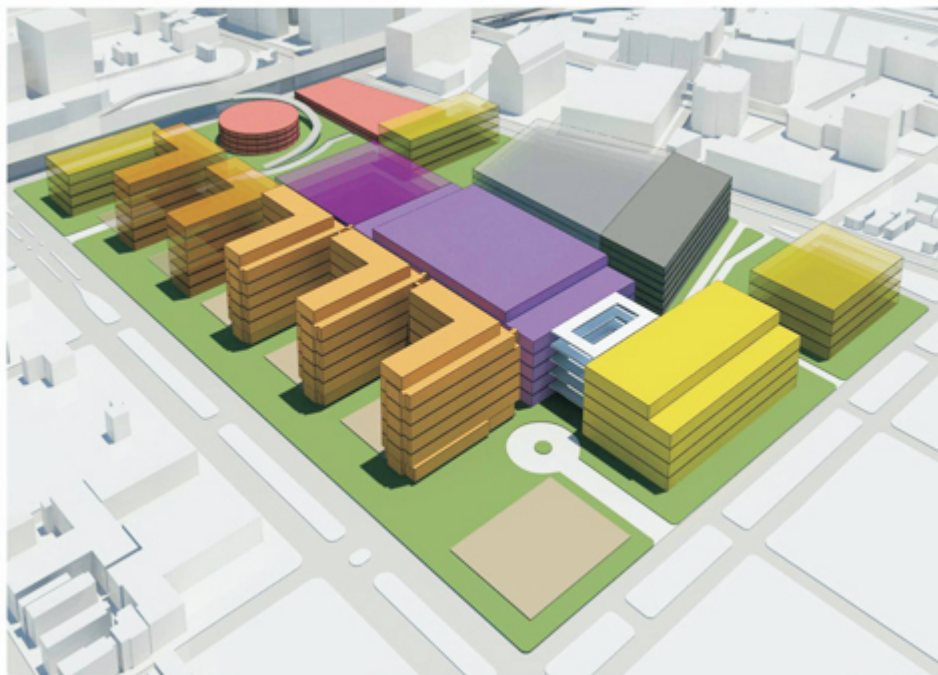
Because the new academic medical center will replace the public hospitals transferred to LSU by Governor Mike Foster and the Louisiana State Legislature in 1997, the new organization must also allow LSU to fulfill its legally mandated mission of caring for the

under-served while educating Louisiana's professional health workforce. For these reasons, the new not-for-profit must be affiliated with LSU. Indeed, LSU will own the academic medical center and lease it to the not-for-profit organization.

You have heard that

complex, and have the ability to pay it off. To retire the debt, the business plan must work, and the admission of private patients is an essential aspect of the business plan. In addition to taking care of the un- and under-insured, LSU physicians will admit our private patients, localizing our practice at the new hospital. Tulane, on the other hand, rejected the request for them to admit private patients, citing a conflict of interest. Tulane has their own private hospital, the for-profit Tulane/HCA Hospital, a competing interest, located three

LSU would not really be responsible for the \$400 million. In truth, the money will be borrowed by an LSU-affiliated organization, on the strength of the LSU name, and with the entire weight of the success of the operation on LSU's shoulders as the only party that will admit the private patients crucial to making the business plan work. If the bonds default, who do you think will be blamed? And how willing do you think the bond market would be to issue bonds to LSU to finance the next project, on any LSU campus,



Canal Galvez

or the one after that?

After Representative Jim Tucker introduced a bill which initially removed LSU from governance of the academic medical center, DHH Secretary Alan Levine ramped up negotiations on the MOU. The understanding going in was that there would be no commitment to the resulting draft MOU, by either LSU or Tulane, unless approved by our governing boards. When an impasse was reached, Secretary Levine said the draft “represents the best that we could come up with” and it went to the governing boards.

The proposed MOU that was brought before the LSU Board of Supervisors, which the Tulane board unanimously approved, grants LSU 4 of 12 seats on the management board. That is one-third of the representation on the board. Do you know anyone who would take that deal? All of the risk for one-third of the representation?

The reason that our late Chancellor Dr. Merv Trail got the management of Charity Hospital transferred to LSU in the first place was that our academic programs and ability to supply Louisiana with qualified health care professionals was being seriously jeopardized by the decisions made by others. Even so, LSU is not seeking a controlling number of seats, although many would, given the level of LSU’s commitment and

involvement compared to the others.

- No, in deference to Tulane, Xavier, and Dillard, the LSU Board of Supervisors approved an amended MOU that improves LSU’s representation by increasing the LSU seats to five while decreasing the total number to eleven. While many would argue that this alternative number is still not commensurate with LSU’s investment, it is something that our Board of Supervisors agreed to in order to move the project forward.
- LSU has given other concessions as



- well. We agreed to increase Tulane’s number of residency positions, or caps, from 185 to 200. That diminishes the number of LSU caps and it is also something the people who live in this state are giving up, because LSU residents are much more likely to stay and practice in Louisiana. From 2006-08, the percentage of Louisiana students admitted to Tulane Medical School has decreased by 37%, and the number of Tulane medical graduates who are staying in Louisiana this year is 27. There is also a monetary benefit to Tulane for the increased number of caps. The federal government pays for graduate medical education to the tune of about \$37,000/per

- resident cap. The value of the slots that LSU gave up totals \$555,000 that Tulane will collect. Each and every year.

It has also been alleged that LSU is only out for itself. That we don’t care about the people, or the State, only about what is good for LSU. Let’s be clear. LSU is the State. We are a state agency, a constitutional entity, whose motives are not profit driven, rather are driven by the public interest. LSU is officially charged with the common good of all of Louisiana’s citizens, a trust we treat as sacrosanct. There are those who claim we have failed miserably as a hospital manager. I would remind you that the model repeatedly held up as an example of excellence is the university hospital in Shreveport – the LSU Health Sciences Center hospital.

As for the Tucker bill, it was never heard in the Senate. However, on the last day of the session, Speaker Tucker

- attached an amendment to HB 2 that would allow DHH to solicit a Request for Proposals for a non-profit to run the new hospital, potentially removing LSU again. The amendment failed because the Senate stripped it from the bill in Conference Committee.

So, where are we now? We continue to work toward a solution because this new academic medical center is vital to the health and well-being of the people we serve – the citizens of Louisiana – and to the future of the City of New Orleans and the region.

We will prevail!