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ONE HUNDRED NINTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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November 4, 2005

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The Honorable David M. Walker
Comptroller General
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

A potentially catastrophic public health crisis is now confronting the State of Louisiana (and particularly the New Orleans region) as a result of the damage caused by Hurricanes Katrina and Rita. It includes the loss of critical healthcare services generally for the southern part of the State, the future solvency of the statewide Medicaid program, and the possible permanent loss of the only Level I trauma center in southern Louisiana. The rapid restoration of healthcare services to the greater New Orleans region will affect whether and how the city can successfully rebuild and maintain its position as a leading medical training center and tourist destination. It is also critical to any future response to any potential natural or other medical disaster, such as pandemic influenza.

One of the most serious healthcare-related problems facing the greater New Orleans region is the loss of the Medical Center of Louisiana at New Orleans (MCLNO) which is comprised of two of the region's largest hospitals, Charity and University. Known together as "Charity," both were severely damaged by Katrina's winds and the flood waters that later engulfed the basements of both facilities. Prior to the hurricanes, the two MCLNO hospitals provided the only healthcare access for many of the region's poor. Charity was also the only specialized Level I trauma center for the Southern region and was recognized and respected for its trauma care and the training it provided to emergency room physicians. The other Level I trauma center in Louisiana is in Shreveport, located in the northern part of the State. MCLNO, operated by Louisiana State University (LSU), is also the training center for many of the State's medical personnel.

Before Katrina, approximately 970,000 residents in Louisiana had no health insurance. Many of those uninsured were the "working poor" who earn too much to be eligible for Medicaid. They work at jobs without health insurance benefits or cannot afford to pay the co-pays or purchase private health insurance. These individuals still, however, pay taxes through

their earnings and are an important part of the State's tax base. In New Orleans alone, almost 20 percent of its residents have no health insurance. For the two hospitals that comprise MCLNO, 44 percent of its total admissions in fiscal year 2005 were uninsured, with another 42 percent covered by Medicaid. Thus, more than 85 percent of Charity's patients (or approximately 275,000 of the region's residents) were indigent or the working poor. These statistics highlight the critical role of Medicaid and other public programs in ensuring that the low-to-moderate income residents of this area have access to health care. Considering that the population of the City of New Orleans was nearly 500,000 before the storm, any future recovery plans must take into account the role Charity played in providing essential healthcare services to the region.

There are certainly numerous questions regarding the future of both MCLNO hospitals. The most critical is whether these facilities can or should be repaired or rebuilt. The basements of both were submerged under contaminated floodwaters for weeks, resulting in severe damage to the electrical, mechanical, and plumbing systems of both structures. Moreover, there may be structural damage to the foundations of both hospitals.

It is also clear that significant outlays of funds will be necessary to repair or replace one or both hospitals. And at this time there appears to be no agreement among Federal, State, or local officials on a plan to rebuild or repair either facility. While the Federal Emergency Management Agency may provide some financial relief, we understand that funding will likely be inadequate to rebuild or repair either facility as a major trauma or comprehensive healthcare facility, and it is uncertain whether the funds will be received in a timely manner in order to be used for reconstruction.

Public officials need to act quickly to address these issues. If not, this situation may have a cascading effect on medical care and training throughout Louisiana and the Gulf Coast region. Tulane University and LSU depend upon these hospitals to train Louisiana's doctors, nurses, and allied health professionals. Tulane, in particular, is also a medical research center that relies on Charity's hospitals for much of their work. Tulane was the single largest private employer in the City of New Orleans. These operations and the students associated with the University represent a much-needed revenue source for New Orleans. If the hospitals are not rebuilt, these medical facilities and educational institutions will in all likelihood be forced to relocate their research and their students.

Strategic planning to provide ongoing care for returning residents or cleanup and construction workers – particularly those on Medicaid or those without any insurance – is insufficient. While admirable, the small tent-based operation near the hospital site clearly cannot provide care for even a fraction of potential patients in this region. The current contract workforce – many who lack health insurance and may remain in the region for years – may also place a heavy demand on local healthcare services. There is some hope that the Tulane hospital, which is attempting to repair its facilities, will soon reopen. But that hospital has fewer beds than Charity. It also is not a trauma care hospital, and it is unlikely that it would be able to financially afford to care for the number of poor who previously used the two MCLNO hospitals.

Finally, because of both storms, the State of Louisiana faces a serious problem regarding its Medicaid program in general. Louisiana will have major difficulty in meeting its State match required under Medicaid, expected to be more than \$1 billion. Not only has Louisiana lost much of its tax base, but many of those displaced are living in other States, and Louisiana is now obligated to pay for their out-of-state services. This future Medicaid obligation, coupled with continuing displacement of much of the State's tax base, will pose major hurdles for recovery. There is legislation pending in Congress that could help relieve some of this burden, but as yet it has not passed, and would be a temporary remedy at best.

In staff discussions with senior Louisiana healthcare officials, there did not appear to be a clear plan for preserving the State's Medicaid coverage. Louisiana's Medicaid program has already been cut to the bone. Further cuts, combined with the match owed to other States, could completely destroy that State's healthcare system unless dramatic action is taken soon. While we remain hopeful that Congress will expeditiously enact legislation to help with Medicaid in those areas directly affected by both hurricanes, the budget reconciliation provisions that passed both the Committee on Energy and Commerce and the Senate Committee on Finance, in present form, are inadequate as they will not necessarily help those in other parts of the State or other people who are ineligible for Medicaid.

We understand that most of the Government Accountability Office's (GAO) impending hurricane recovery work is being done under "Comptroller General Authority." While we understand that this means that these audits are self-initiated (rather than being initiated by Members of Congress), we believe it is imperative that the issues discussed in this letter be examined as part of any ongoing work. We look forward to discussing with your office the following issues:

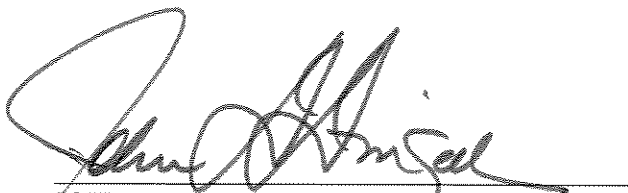
1. What is the long-term plan for meeting Louisiana's share of Medicaid costs if the State cannot generate sufficient funds to cover its obligation? Does GAO believe that sufficient State funds exist to cover Louisiana's expected Medicaid obligation without Federal assistance and without gutting funding for other essential State responsibilities like education and public safety?
2. Are plans to cover the likely Medicaid shortfall being discussed with the Department and the Centers for Medicaid and Medicare Services by the State of Louisiana, and if so, what is GAO's understanding of these plans and the status of this process?
3. Has FEMA conducted its reviews of the damaged medical facilities and whether they can be rebuilt? If so, what is your understanding of the progress of these hospitals?
4. Does GAO believe that the two hospitals can be restored and reopened or does it believe that one or both have been irreparably damaged by the storm flood waters?

5. What is GAO's evaluation of the small M.A.S.H.-style hospital set up in the site's adjacent parking lot? Can this facility meet New Orleans's short-to-medium term healthcare needs? How long is this facility expected to be used? Is the makeshift hospital allowed to bill Medicaid for reimbursements? If so, when will it begin? If not, what steps will the hospital need to take in order to allow for billing?
6. If one or both hospitals cannot be adequately restored or entirely rebuilt, how will the many residents of the City of New Orleans and surrounding areas receive needed essential medical services? Does GAO believe that a similar level of services will ultimately need to be restored if the City of New Orleans is to recover? Also, what is the role of healthcare services in the restoration of the city?
7. Has the Administration conducted any assessments on the future quality of health care for the State and its educational system if the largest teaching facility for Louisiana is lost?

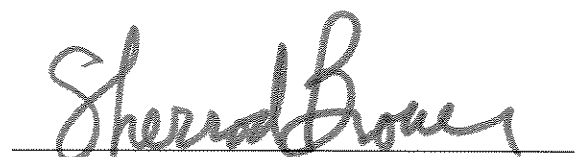
We appreciate your attention to this matter and would request that your staff contact our staff to set up a mutually-agreeable time for such briefings. If you have any questions on this matter, please have your staff contact Christopher Knauer, Minority Investigator, or Edith Holleman, Minority Counsel, with the Committee on Energy and Commerce at (202) 226-3400.

Again, we appreciate your time and effort regarding this important matter and look forward to hearing from you soon.

Sincerely,



JOHN D. DINGELL
RANKING MEMBER



SHERROD BROWN
RANKING MEMBER
SUBCOMMITTEE ON HEALTH



BART STUPAK
RANKING MEMBER
SUBCOMMITTEE ON OVERSIGHT
AND INVESTIGATIONS

The Honorable David M. Walker
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cc: The Honorable Joe Barton, Chairman
Committee on Energy and Commerce

The Honorable Nathan Deal, Chairman
Subcommittee on Health

The Honorable Ed Whitfield, Chairman
Subcommittee on Oversight and Investigations

The Honorable Michael O. Leavitt, Secretary
Department of Health and Human Services