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ONE HUNDRED TENTH CONGRESS

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

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September 27, 2007

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The Honorable Daniel R. Levinson
Inspector General
U.S. Department of Health and Human Services
330 Independence Avenue, S.W.
Cohen Building, 5th Floor
Washington, D.C. 20201

Dear Mr. Levinson:

The Committee on Energy and Commerce and its Subcommittee on Oversight and Investigations continue to monitor the recovery of the healthcare delivery system in the New Orleans area post-Katrina, and we remain committed to helping with recovery and rebuilding efforts. To better understand the challenges facing this region, we have held several hearings, including, most recently, the Subcommittee's hearing on August 1, 2007, entitled "Post-Katrina Health Care in the New Orleans Region: Progress and Continuing Concerns – Part II."

At that hearing, among the witnesses from whom we heard testimony were representatives of the five acute care hospitals that currently provide 95 percent of the hospital-based services in the four parishes designated by the State of Louisiana Department of Health and Hospitals as "Region 1." Officials from the five hospitals—East Jefferson General Hospital, West Jefferson Medical Center, Ochsner Health System, Tulane University Hospital, and Touro Infirmary—testified that they were incurring extraordinary financial losses due to the region's economy, which is still severely damaged as a result of the disaster.

As part of their testimony, the hospital officials reported that they expect to experience collective operating losses of \$135 million in 2007 and that total losses could be \$405 million for 2007 through the end of 2009. The hospital officials stated that the losses stem mainly from soaring costs and Medicare reimbursements that do not take into account their increased costs of providing hospital care since the hurricane. They cited increases in the costs of hiring nurses and other contract workers; recruiting and retaining doctors, nurses, and technicians; as well as mounting bad debt and insurance expenses. Specifically, the hospitals reported that since the hurricane, they collectively have incurred a 17 percent increase in salary and contract labor costs, a 32 percent increase in utility costs, a 35 percent increase in insurance costs, a 20 percent increase in interest expense, and a 30 percent increase in bad debt. While these hospitals have received some Federal and State assistance since the hurricane, they believe that the past

The Honorable Daniel R. Levinson

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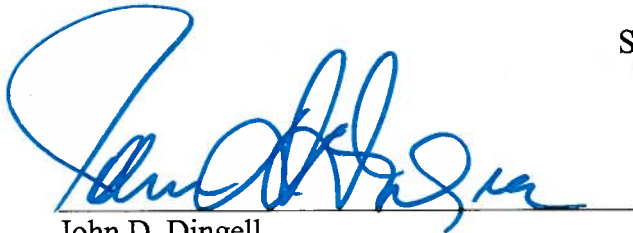
assistance has not been sufficient to avert the current and impending financial losses. The hospital representatives are requesting additional, targeted Federal assistance to avoid negatively affecting their ability to continue providing hospital services to the community.

As Congress deliberates about what solutions are needed to address the issues faced by these five hospitals, it is important that the Subcommittee have a fuller understanding of the recent operating incomes and losses of these hospitals and how the hurricane affected the hospitals' financial operations. To that end, the Subcommittee requests that the Office of the Inspector General (OIG) for the Department of Health and Human Services (HHS) obtain and review the hospitals' audited financial statements and other information as needed to perform audits or reviews, as appropriate, of the more significant operating loss items cited by the hospitals, such as labor, utilities, insurance, and bad debt. We further request that OIG perform a profitability analysis comparing the five hospitals' financials against other peer hospitals, to the extent feasible and appropriate. In addition, we request that OIG coordinate its work with related reviews being performed by the Government Accountability Office. We also understand that, pursuant to conversations with Subcommittee staff, OIG already has initiated certain audit work that should prove helpful to the Committee's work on other post-Katrina healthcare recovery issues, including but not limited to, a recipient capability audit of the Louisiana Public Health Institute—the organization that will be administering Primary Care Access and Stabilization Grant funds awarded by HHS under the Deficit Reduction Act.

We ask that you provide the Committee with the results of your review at the earliest possible opportunity and that, in conducting your work, you please provide Committee staff with periodic updates on the status of your work.

Thank you for your attention to this matter. If you have any questions, please contact us or have your staff contact Chris Knauer or Kristine Blackwood with the Majority Committee staff at (202) 226-2424 or Peter Spencer with the Minority Committee staff at (202) 225-3641.

Sincerely,



John D. Dingell
Chairman



Joe Barton
Ranking Member



Bart Stupak
Chairman
Subcommittee on Oversight and Investigations



Ed Whitfield
Ranking Member
Subcommittee on Oversight and Investigations