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

Dear Comptroller General Walker:

The Committee on Energy and Commerce and its Subcommittee on Oversight and Investigations continue to monitor the post-Katrina recovery of the healthcare system in the New Orleans area. To better understand this situation, we have held several hearings to examine issues related to reconstructing the region's healthcare delivery system.

On August 1, 2007, the Subcommittee held a hearing 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 Infirmiry—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 provided information on the current and projected operating losses for the five hospitals on a collective basis. They reported that they expect to experience a combined operating loss of \$135 million by year end, and that the total loss 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. While these hospitals have received some targeted Federal and State assistance since the hurricane, they believe that the past assistance has not been sufficient to avert their current and impending financial losses. The hospital representatives are requesting additional, targeted Federal assistance to avoid negatively affecting the quality of care and services they provide to the affected community.

The Committee recognizes the challenges facing the healthcare delivery system in the New Orleans region and is committed to helping in recovery and rebuilding efforts. As Congress deliberates about what solutions are needed to address the issues faced by these five hospitals, it is important that the Committee have a better understanding of the recent operating income and losses of these hospitals and how the hurricane affected the hospitals' financial operations. Therefore, we request that the Government Accountability Office (GAO) report on the following:

- (1) What are the trends in revenues and expenses, and other relevant amounts related to operating income/losses of the five hospitals before and after Hurricane Katrina?
- (2) What factors have the hospitals, their auditors, their bond rating agencies, and others reported as contributing to the trend in the hospitals' recent operating income/losses?
- (3) Are there any significant uncertainties or other material issues affecting the estimates by hospitals of future operating losses?

We also understand that the Office of the Inspector General for the Department of Health and Human Services is conducting work related to the financial information presented by the hospitals at the hearing. We ask that you coordinate your work with the Office of the Inspector General and consider the results of their work to the extent applicable in your review of trends in the five hospitals' operating income/losses.

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

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