DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JUN 1 0 2008

TO: Kerry Weems
Acting Administrator
Centers for Medicare & Medicaid Services

FROM: Daniel R. Levinson *Daniel R. Levinson*
Inspector General

SUBJECT: Review of Expenses and Revenues Presented in Congressional Testimony by Tulane Medical Center (A-06-08-00011)

Attached is an advanced copy of our final report on expenses and revenues presented in congressional testimony by Tulane Medical Center (the hospital). We will issue this report to Tulane Medical Center within 5 business days. The U.S. House of Representatives Committee on Energy and Commerce requested that we perform this review.

On August 1, 2007, the U.S. House of Representatives Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, held a hearing on post-Katrina health care in the New Orleans region. In this hearing, officials of five hospital groups in the New Orleans region testified that their hospitals experienced significant post-Katrina operating losses, largely because of the increased costs of providing hospital care since the August 2005 hurricane. The testifying hospitals requested additional Federal financial assistance, including additional grant funds from the Department of Health and Human Services, to use for the recovery of the health care delivery system in the New Orleans area.

The Committee on Energy and Commerce requested that we analyze the hospitals' financial information to review the more significant operating loss items cited by the testifying hospitals. Tulane Medical Center was one of the hospitals whose financial information was presented in the congressional hearing.

Our objective was to determine whether the amounts of selected expenses and revenues that the hospital presented in the testimony were accurate and supported by its financial records.

The hospital's expenses presented in the testimony were generally accurate and supported by its financial records. However, the hospital's revenue as described in the testimony for the first 5 months of 2007 did not include \$6.0 million of revenue that it received during this period.

This is an informational report, and we have no recommendations. In its written comments on our draft report, the hospital agreed with the overall results of our review and provided clarifying comments concerning the $6.0 million of revenue not included in the testimony.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through e-mail at George.Reeb@oig.hhs.gov. Please refer to report number A-06-08-00011 in all correspondence.

Attachment

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services
1100 Commerce, Room 632
Dallas, TX 75242

JUN 13 2008

Report Number: A-06-08-00011

Robert Lynch, M.D.
Chief Executive Officer
Tulane Medical Center
1415 Tulane Avenue
New Orleans, Louisiana 70112

Dear Dr. Lynch:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Expenses and Revenues Presented in Congressional Testimony by Tulane Medical Center." We will forward a copy of this report to the HHS action official noted on the following page.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at http://oig.hhs.gov.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Mark Ables, Audit Manager, at (214) 767-9203 or through e-mail at Mark.Ables@oig.hhs.gov. Please refer to report number A-06-08-00011 in all correspondence.

Sincerely,

Gordon L. Sato

Gordon L. Sato
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

Ms. Nanette Foster Reilly, Consortium Administrator
Consortium for Financial Management & Fee for Service Operations
Centers for Medicare & Medicaid Services
601 East 12th Street, Room 235
Kansas City, Missouri 64106

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF EXPENSES AND REVENUES PRESENTED IN CONGRESSIONAL TESTIMONY BY TULANE MEDICAL CENTER

Daniel R. Levinson
Inspector General

June 2008
A-06-08-00011

Office of Inspector General

http://oig.hhs.gov

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

On August 1, 2007, the U.S. House of Representatives Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, held a hearing on post-Katrina health care in the New Orleans region. In this hearing, officials of five hospital groups in the New Orleans region testified that their hospitals experienced significant post-Katrina operating losses, largely because of the increased costs of providing hospital care since the August 2005 hurricane. The officials supported their testimony with a summary of financial data compiled by the Louisiana Hospital Association, comparing pre-Katrina (January through May 2005) and post-Katrina (January through May 2007) expenses and revenues for five hospital groups. The testifying hospitals requested additional Federal financial assistance, including additional grant funds from the Department of Health and Human Services, to use for recovery of the health care delivery system in the New Orleans area.

In a September 27, 2007, letter, the Committee on Energy and Commerce requested that we analyze the hospitals' financial information to review the more significant operating loss items cited by the testifying hospitals.

Tulane Medical Center

Tulane Medical Center (the hospital), one of the hospitals whose financial information was presented in the congressional hearing, is a 288-bed, for-profit teaching hospital with a fiscal year end of December 31, located in downtown New Orleans. The hospital has a secondary campus at Tulane-Lakeside Hospital in Metairie, Louisiana, which was obtained on July 1, 2005. The hospital is in partnership with the Hospital Corporation of America chain. The hospital was forced to evacuate its facility following Hurricane Katrina, and its main campus was closed for 6 months because of significant water and mold damage from the flooding. The hospital reopened its emergency department, several operating rooms, 63 of its acute-care beds, an adult and pediatric intensive care unit, a pharmacy, and several cardiology laboratories on February 15, 2006. The hospital's portion of the financial data presented in the hearing is in Appendix A.

OBJECTIVE

Our objective was to determine whether the amounts of selected expenses and revenues that the hospital presented in the testimony were accurate and supported by its financial records.

SUMMARY OF FINDINGS

The hospital's expenses presented in the testimony were generally accurate and supported by its financial records. However, the hospital's revenue as described in the testimony for the first 5 months of 2007 did not include $6.0 million of revenue that it received during this period.

RECOMMENDATIONS

This is an informational report, and we have no recommendations.

TULANE MEDICAL CENTER COMMENTS

The hospital agreed with the overall results presented and provided clarifying comments concerning the $6.0 million of revenue not included in the testimony.

The hospital's comments are included in their entirety as Appendix D.

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INTRODUCTION

BACKGROUND

Congressional Request

On August 1, 2007, the U.S. House of Representatives Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, held a hearing on post-Katrina health care in the New Orleans region. In this hearing, officials of five hospital groups in the New Orleans region testified that their hospitals experienced significant post-Katrina operating losses, largely because of the increased costs of providing hospital care since the August 2005 hurricane. The officials supported their testimony with a summary of financial data compiled by the Louisiana Hospital Association, comparing pre-Katrina (January through May 2005) and post-Katrina (January through May 2007) expenses and revenues for the five hospital groups. The testifying hospitals requested additional Federal financial assistance, including additional grant funds from the Department of Health and Human Services, to use for recovery of the health care delivery system in the New Orleans area.

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OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the amounts of selected expenses and revenues that the hospital presented in the testimony were accurate and supported by its financial records.

Scope

Our review included the 5-month periods of January 1 to May 31 in 2005 and 2007.

We limited our review of the hospital's internal control structure to those controls applicable to the selected expenses and revenues examined because our objective did not require an understanding of all internal controls.

We performed our fieldwork at the hospital from October 2007 through February 2008.

Methodology

To accomplish our objective, we:

- reviewed the hospital's audited financial statements and records;

- obtained an understanding of the hospital's procedures for accumulating and reporting financial data;

- reconciled the reported revenues and expenses in the hospital's testimony to the financial records;

- judgmentally chose expenses in selected areas (salary and contract labor, utilities, insurance, depreciation and amortization, bad debts, and other operating expenses) for testing to determine supportability;

- identified the wage-related costs for health care professionals (e.g., physicians and nurses), administrative personnel (e.g., management and clerical staff), and other hospital personnel (e.g., maintenance and service staff);

- compared the types of wage-related costs for 2005 and 2007 presented in the hospital's testimony to determine whether the increase in these costs was principally due to a substantial growth in wage-related costs for health care professionals;

- obtained full-time equivalent (FTE) employee counts and wage-related hours to determine the average hourly wage rate for the testimonial periods;

- reconciled wage data from selected cost centers to detailed support, such as payroll registers and accounts payable invoices;

- interviewed hospital staff regarding the nature of services that employees and contracted labor provided to the hospital;

- reviewed the hospital's monthly patient statistics reports to determine the changes in patient volume and utilization of services between the testimonial periods; and

- reviewed support for additional revenue received by the hospital after August 2005.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

RESULTS OF REVIEW

The hospital's expenses presented in the testimony were generally accurate and supported by its financial records. However, the hospital's revenue presented in the testimony for the post-Katrina period (January through May 2007) did not include $6.0 million of revenue.

EXPENSES

Salary and Contract Labor Expense

As stated in the testimony, salary expense was the largest expense item, and contract labor expense significantly increased between the first 5 months of 2005 and the first 5 months of 2007.

Amount of Increase

The salary and contract labor expenses (totaling $38.8 million for the first 5 months of 2005 and $44.9 million for the first 5 months of 2007) that the hospital presented in its testimony were generally accurate and supported by its financial records. We found minor differences between the costs included in the hospital's testimony and the costs supported in the hospital's financial records for these periods. We also reclassified amounts from other operating expense to contract labor physician expense because the hospital had not accurately classified these costs. Specifically, we reclassified contracted labor costs totaling $0.4 million in 2005 and $0.3 million in 2007 (testimony amounts). Our restatement of the expenses is shown in Appendix B. Whereas the hospital's reported amounts represented an increase of $6.1 million in salary and contract labor costs between the first 5 months of 2005 and the first 5 months of 2007, our restated costs showed an increase of approximately $5.9 million.

Causes of Increase in Costs

Consistent with the hospital's testimony, increases in the hospital's costs for retaining health care professionals and hiring additional physicians were the primary causes of the $5.9 million increase in salary and contract labor costs. Although the wage-related costs for non-health-care personnel decreased by $2.1 million, the wage-related costs for health care professionals increased by $8 million. The factors that led to the net increase of $5.9 million in wage-related costs were (1) increased hiring of salaried physicians, (2) decreased numbers of FTE non-health-care personnel, and (3) increased average hourly wage rates for all salaried employees and contract labor services. Specifically, between the first 5 months of 2005 and the first 5 months of 2007:

- While the number of salaried nurses hired by the hospital decreased by 12 FTE employees, or approximately 2.5 percent, the number of salaried physicians increased by 26 FTE employees, or approximately 143 percent. As a result, we estimated a $2 million increase in the overall cost of hiring salaried health care professionals between the two periods.

- The hospital decreased the number of its non-health-care personnel by 317 FTE employees. As a result, we estimated a $5.7 million decrease in costs for non-health-care personnel between the two periods.

- The hospital's average hourly wage rates increased from $22.40 to $31.31 for all salaried employees and from $56.61 to $59.49 for contract labor services. The hospital's overall average hourly wage rate increased from $25.09 to $33.51, or approximately 34 percent, between the first 5 months of 2005 and the first 5 months of 2007. We estimated that the hospital's costs increased approximately $9.6 million because of the increase in average hourly wage rates for all employees. Further, we estimated that approximately $6.0 million of the $9.6 million was due to an increase in the average hourly wage rates for health care professionals.

We found that the hospital's patient volume and utilization of services decreased during the testimonial periods (Appendix C) even though the number of salaried physicians employed by the hospital increased during this time, as did the average hourly wage rates for all employees. According to the hospital's officials, the decrease in volume was primarily due to the significantly reduced New Orleans population and the hospital's limited number of available beds and services, which were still not fully back to pre-Katrina levels during our review. Officials also stated that the hospital needed to increase the number of salaried physicians to sustain surgical and radiological services, which impact all hospital services. They further stated that the increase in wage rates for employees was due to (1) the shortage of available personnel, which created economic market pressures, and (2) the increase in the area's overall cost of living caused by the lack of housing and personal services.

Utilities Expense

As stated in the testimony, the hospital's utility expense, which included electricity, water, and gas, increased from $2.1 million to $2.8 million (34 percent) between the first 5 months of 2005 and the first 5 months of 2007. We judgmentally selected for review electric and gas utility invoices from each period. The sampled invoices accounted for 49 percent of the 2005 and 37 percent of the 2007 utility expenses. Utility expenses increased because of a rise in the fuel adjustment factor on the electricity bill. The invoices we reviewed were properly recorded in the hospital's financial records.

Insurance Expense

As stated in the testimony, the hospital's insurance expense, which included insurance premiums for buildings, equipment, and malpractice, increased from approximately $2.5 million to $3.3 million (33 percent) between the first 5 months of 2005 and the first 5 months of 2007. We judgmentally selected for review insurance policy invoices from each period. The sampled invoices accounted for 78 percent of the 2005 and 68 percent of the 2007 insurance expenses for each period. The main cause of the increase was a rise in premiums. The invoices we reviewed were properly recorded in the hospital's financial records.

Depreciation and Amortization Expense

As stated in the testimony, the hospital's depreciation and amortization expense increased from $8.1 million to $9.1 million (12 percent) between the first 5 months of 2005 and the first 5 months of 2007. The hospital depreciated property, plant, and equipment, which included Hurricane Katrina repairs, land improvements, garage equipment, and leasehold improvements. We judgmentally selected for review depreciation and amortization expenses from each period. The sampled expenses accounted for 13.8 percent of the 2005 and 13.5 percent of the 2007 total depreciation and amortization expenses for each period. Depreciation increased because of renovations and the acquisition of new equipment to replace equipment damaged during the hurricane. The invoices we reviewed were properly recorded in the hospital's financial records.

Bad Debt Expense

As stated in the testimony, the hospital's bad debt expenses increased from $6.6 million to $6.8 million (2 percent) between the first 5 months of 2005 and the first 5 months of 2007. The hospital did not receive Medicaid Disproportionate Share program payments during the first 5 months of 2005. The hospital received $10.4 million in Disproportionate Share program payments during the first 5 months of 2007. Of that amount, the hospital recorded $4.6 million as a reduction to bad debt expense and the remaining $5.8 million to net revenue during the 2007 testimonial period. Because of the minimal increase between the first 5 months of 2005 and the first 5 months of 2007, we did not perform detailed testing. We verified the testimony amounts against the hospital's financial records.

Other Operating Expenses

As stated in the testimony, the hospital's other operating expenses, which included contracting services and professional fees, increased from $34.0 million to $38.1 million (12 percent) between the first 5 months of 2005 and the first 5 months of 2007. We judgmentally selected for review other operating expenses in 2007 to verify certain expenses. The sampled items accounted for 29 percent of the 2007 total other operating expenses. The main cause of the increase was outside consulting services and physician contracts. The hospital stated that the outside consulting services were used to assist in rebuilding the hospital's enterprise. Professional contracts increased because of the use of temporary health care physicians. We reclassified amounts, as shown in Appendix B, from other operating expense to contract labor expense. The invoices we reviewed were properly recorded in the hospital's financial records.

REVENUE

Net Revenues Included in Testimony

The hospital's financial data presented in the testimony showed that the hospital's total net operating revenue decreased from $122.0 million to $108.4 million (-11 percent) between the first 5 months of 2005 and the first 5 months of 2007. Approximately 99 percent of the net operating income was from net patient revenue, i.e., payments from government and private medical insurance and self-pay patients. Net patient revenue included in the testimony totaled $120 million for the first 5 months of 2005 and $107 million for the first 5 months of 2007, for a decrease of $13 million (-11 percent). We attributed this decrease to a decrease in patient workload.

Revenues Received During Testimonial Periods Not Included in Testimony

The hospital received $6.0 million of revenue in the testimony period for the first 5 months of 2007 that was not included in the hospital's 2007 testimonial revenue.[1] The adjusted revenue amounts are shown in Appendix B.

The hospital received $2.6 million in Business Interruption insurance payments and a $3.4 million Medicare Wage Index Stabilization grant. The Wage Index Stabilization grant from the Department of Health and Human Services was intended to compensate the hospital for its Katrina-related increased labor costs related to its Medicare patients. The hospital noted in its testimony that these amounts were excluded from its presentation.

Analysis of Gross Revenue by Payer Type

Gross patient revenue reflects total financial charges for patient care services and not actual payments received or any deductions that may be written off by the hospital as a bad debt. A hospital analysis of its gross revenue by payer type indicated that, consistent with the hospital's testimony, services provided to uninsured/self-pay patients increased between 2005 and 2007.

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[1]The hospital received an additional Medicare Wage Index Stabilization grant totaling $1.2 million in June 2007, which may be available to offset some of the expenses in the post-Katrina testimonial period.

Tulane Medical Center's Analysis of Its Gross Revenue by Payer Type

Payer	Percent of Total Revenue 01/01/05–05/31/05	Percent of Total Revenue 01/01/07–05/31/07	Percentage Change
Medicare fee-for-service	29.7%	26.2%	-3.5
Medicare Managed Care[2]	0.0%	3.9%	3.9
Commercial fee-for-service	1.3%	0.2%	-1.1
Commercial Managed Care	34.0%	28.4%	-5.6
Medicaid	30.3%	30.9%	0.6
Other[3]	2.1%	4.7%	2.6
Uninsured/self pay	2.6%	5.7%	3.1

RECOMMENDATIONS

This is an informational report, and we have no recommendations.

TULANE MEDICAL CENTER COMMENTS

The hospital agreed with the overall results presented and provided clarifying comments concerning the $6.0 million of revenue not included in the testimony.

The hospital's comments are included in their entirety as Appendix D.

OTHER MATTERS

Among the testifying hospitals' proposed solutions to address spiraling wage-related costs was for the Centers for Medicare & Medicaid Services (CMS) to adjust the Medicare hospital wage index values for these areas to reflect current wage data, rather than retrospective wage data. CMS uses the hospital wage index to adjust prospectively set Medicare payment rates for regional variation in labor costs.

We found that certain costs that were supported by the hospital's financial records and included in its 2005 testimonial amounts were incorrectly reported as wage data in its FY 2005 Medicare cost report. Although the hospital incurred these costs, they did not meet Medicare requirements for inclusion in the cost report as wage data costs. For example, the hospital included certain unsupported and unallowable contract labor services on its FY 2005 Medicare cost report. Because CMS uses wage data collected 4 years earlier to calculate wage indexes for a given year, overstated costs in the hospital's FY 2005 cost report will result in Medicare overpayments to all hospitals within this geographical area in FY 2009.

[2]The hospital was awarded two Medicare Managed Care contracts between the testimonial periods.

[3]The other revenue increased because of the increased patient workload after the closure of the nearby Department of Veterans Affairs hospital.

Because this matter was not part of the objective of this review, we will issue a separate report to the hospital on this matter and its potential impact on Medicare payments to the hospital.

APPENDIXES

APPENDIX A

REVENUES AND EXPENSES AS STATED IN TESTIMONY

	January–May 2005	January–May 2007	Percentage Change
REVENUES			
Total Net Patient Revenue	$120,208,503	$107,307,655	-10.73%
Other Operating Revenue	1,807,260	1,139,607	-36.94%
Total Operating Revenue	**$122,015,763**	**$108,447,262**	**-11.12%**
EXPENSES			
Salaries			
Nursing	11,572,675	11,234,012	-2.93%
Physician	2,070,041	8,237,673	297.95%
Other	22,896,939	21,838,693	-4.62%
	36,539,655	41,310,378	13.06%
Contract Labor			
Nursing	1,382,778	2,405,278	73.95%
Physician	0	1,403	
Other	953,627	1,252,348	31.32%
	2,336,405	3,659,029	56.61%
Employee Benefits	8,116,117	8,396,627	3.46%
Supplies	23,630,146	23,351,464	-1.18%
Utilities	2,104,092	2,827,457	34.38%
Insurance	2,474,372	3,284,185	32.73%
Interest Expense	150,057	1,680,516	1,019.92%
Depreciation and Amortization	8,088,860	9,068,500	12.11%
Bad Debts	6,603,063	6,759,063	2.36%
Other Operating Expenses	33,964,951	38,099,987	12.17%
Total Operating Expenses	**$124,007,718**	**$138,437,206**	**11.64%**
NET GAIN/LOSS FROM OPERATIONS	**($1,991,955)**	**($29,989,944)**	**-1,405.55%**

RESTATED REVENUES AND EXPENSES

Shaded items are items we reviewed.	**January–May 2005**	**January–May 2007**	**Percentage Change**
REVENUES			
Total Net Patient Revenue	$120,208,503	$110,737,499[1]	-7.88%
Other Operating Revenue	1,807,260	3,690,194[2]	104.19%
Total Operating Revenue	**$122,015,763**	**$114,427,693**	**-6.22%**
EXPENSES			
Salaries			
Nursing	12,137,218	14,821,535	22.12%
Physician	1,792,695	5,580,864	211.31%
Other	22,747,134	20,974,954	-7.79%
	36,677,047[3]	41,377,353[3]	12.82%
Contract Labor			
Nursing	1,450,053	2,606,569	79.76%
Physician	377,307	307,457	-18.51%
Other	880,797	1,015,236	15.26%
	2,708,157[4]	3,929,262[4]	45.09%
Employee Benefits	8,116,117	8,396,627	3.46%
Supplies	23,630,146	23,351,464	-1.18%
Utilities	2,104,092	2,827,457	34.38%
Insurance	2,474,372	3,284,185	32.73%
Interest Expense	150,057	1,680,516	1,019.92%
Depreciation and Amortization	8,088,860	9,068,500	12.11%
Bad Debts	6,603,063	6,759,063	2.36%
Other Operating Expenses	33,593,199[5]	37,829,754[5]	12.61%
Total Operating Expenses	**$124,145,110**	**$138,504,181**	**11.57%**
NET GAIN/LOSS FROM OPERATIONS	**($2,129,347)**	**($24,076,488)**	**-1,030.70%**

[1]Total net patient revenue was increased by $3,429,844 for a Wage Index Stabilization grant, which is recorded in the hospital's financial records as Net Revenue.
[2]Other operating revenue was increased by $2,550,587 for a Business Interruption insurance payment.
[3]Salary labor expenses were increased by $137,392 and $66,975 (2005 and 2007, respectively) because of unreconciled differences.
[4]Contract labor expenses were increased by $371,752 and $270,233 (2005 and 2007, respectively) because of our reclassification of other operating expenses.
[5]Other operating expenses were decreased by $371,752 and $270,233 (2005 and 2007, respectively) because of our reclassification of contract labor expenses.

PATIENT VOLUME BETWEEN 2005 AND 2007

Type of Service	January–May 2005	January–May 2007	Change
Inpatient Services			
Patient Days	33,505	23,240	-31%
Average Length of Stay (days)	6.0	5.1	-15%
Case-Mix Index[1]	1.31	1.26	-4%
Outpatient Visits	111,129	79,269	-29%

[1]The case-mix index measures the severity of illness, the complexity of care, and resource utilization.

Tulane
Medical Center

April 22, 2008

Mr. Gordon L. Sato
Department of Health & Human Services
Office of Audit Services
1100 Commerce Street, Room 632
Dallas, TX 75242

Re: Report #A-06-08-00011

Dear Mr. Sato:

We would like to acknowledge receipt of the draft report entitled "Review of Expenses and Revenues Presented in Congressional Testimony by Tulane Medical Center". We would also like to express our appreciation for the cooperative and professional manner in which the review work was completed by your team of auditors.

While we agree with the overall results presented in the report, after careful review, we would like to offer a couple of responses in order to clarify comments included in the document. The first clarification we would like to be included in the report concerns the $6.0M of revenue mentioned in the "Results of Review" section on Page 3. This revenue consisted of two items. The first, a Wage Index Stabilization grant in the amount of $3.4M was recorded as an increase to Net Revenue during the testimony period. The second item was Business Interruption insurance payments in the amount of $2.6M recorded during the testimony period as Other Operating Income. We would like to reiterate that these revenue items were one time payments and will not mitigate future operational losses.

In closing, I would like to again express appreciation for your efforts. Hopefully this will lead to the desired result of the stabilization of healthcare delivery in New Orleans.

Sincerely,

Robert Lynch, M.D.
Chief Executive Officer

1415 Tulane Ave.
New Orleans, LA 70112