DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JUN - 2 2008

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

FROM: for Daniel R. Levinson
Inspector General

SUBJECT: Review of Expenses and Revenues Presented in Congressional Testimony by East Jefferson General Hospital (A-06-08-00009)

The attached final report provides the results of our review of expenses and revenues presented in congressional testimony by East Jefferson General Hospital (the hospital). We will issue this report to East Jefferson General Hospital 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. East Jefferson General Hospital 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 the hospital's financial records.

The hospital's expenses presented in the testimony were generally accurate and supported by the hospital's financial records. However, the hospital's revenue as described in the testimony for the first 5 months of 2007 did not include $4 million in a Medicare Wage Stabilization grant it received during this period. The Louisiana Hospital Association removed this amount when compiling the testimony data and referenced the grant amount in an explanatory note.

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

In its written comments on our draft report, the hospital agreed with the results of our review.

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). 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 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-06-08-00009 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 - 3 2008

Report Number: A-06-08-00009

Mark Peters, M.D.
CEO and President
East Jefferson General Hospital
4200 Houma Boulevard
Metairie, Louisiana 70006

Dear Dr. Peters:

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 East Jefferson General Hospital." 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-06-08-00009 in all correspondence.

Sincerely,

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 EAST JEFFERSON GENERAL HOSPITAL

Daniel R. Levinson
Inspector General

June 2008
A-06-08-00009

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:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

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The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

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THIS REPORT IS AVAILABLE TO THE PUBLIC
at http://oig.hhs.gov

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.

East Jefferson General Hospital (the hospital), one of the hospitals whose financial information was presented in the congressional hearing, is a 354-bed, acute-care hospital with 100 additional beds that include psychiatric beds, rehabilitation beds, and skilled nursing beds. The not-for-profit hospital has a fiscal year end of December 31 and is located in Metairie, Louisiana, approximately 10 miles from downtown New Orleans. It sustained some physical damage but remained open during and after Hurricane Katrina. 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 $4 million in a Medicare Wage Stabilization grant it received during this period.

RECOMMENDATIONS

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

EAST JEFFERSON GENERAL HOSPITAL COMMENTS

In its written comments on our draft report, the hospital agreed with the results of our review. 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.

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.

East Jefferson General Hospital

East Jefferson General Hospital (the hospital), one of the hospitals whose financial information was presented in the congressional hearing, is a 354-bed, acute-care hospital with 100 additional beds that include psychiatric beds, rehabilitation beds, and skilled nursing beds. The not-for-profit hospital has a fiscal year (FY) end of December 31 and is located in Metairie, Louisiana, approximately 10 miles from downtown New Orleans. It sustained some physical damage but remained open during and after Hurricane Katrina. The hospital's portion of the financial data presented in the hearing is in Appendix A.

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 to 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;
- reviewed 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 $4 million in a Medicare Wage Stabilization grant.

EXPENSES

Salary and Contract Labor Expense

As stated in the testimony, salary expense was the largest expense item and contract labor expense had the largest percentage of increase of all expense items for the first 5 months of 2005 and the first 5 months of 2007. The hospital official testified that higher labor costs were a major contributing factor to the financial losses incurred by hospitals in the New Orleans area.

Amount of Increase

The salary and contract labor expenses (totaling $49.1 million for the first 5 months of 2005 and $60.0 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 in the hospital's salary expenses between the amounts shown in the testimony and the amounts supported in the hospital's financial records. We also reclassified amounts from other operating expense to contract labor physician expense. Specifically, we reclassified contracted labor costs totaling $1.7 million in 2005 and $0.8 million in 2007 (testimony amounts). Our restatement of the expenses is shown in Appendix B. Whereas the hospital's reported amounts represent an increase of $10.9 million, or approximately 22 percent, in salary and contract labor costs between the first 5 months of 2005 and the first 5 months of 2007, our restated costs show an increase of approximately $9.7 million, or 19 percent.

Causes of Increase in Costs

Consistent with the hospital official's testimony, increases in the hospital's costs of recruiting and retaining nurses were the primary causes of the $9.7 million increase in salary and contract labor costs. Of the $9.7 million increase, $7.3 million was attributed to health care professionals. The factors that led to these changes in wage-related costs were (1) increased hiring of salaried nurses and other health care professionals accompanied by a decrease in the number of salaried physicians; (2) increased hiring of non-health-care personnel; (3) additional use of contract labor services for health care professionals, particularly for nurses; and (4) 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:

- The number of salaried nurses hired by the hospital increased by 46 FTE employees, or approximately 7 percent, and the number of salaried other health care professionals increased by 15 FTE employees, or approximately 2 percent. Conversely, the number of salaried physicians decreased by 4 FTE employees, or approximately 9 percent. As a result, we estimated a $1.4 million increase in the overall cost of hiring salaried health care professionals.

- The number of non-health-care personnel hired by the hospital increased by approximately 70 FTE employees, or approximately 6 percent. As a result, we estimated a $1.1 million increase in the overall cost of hiring salaried non-health-care related professionals.

- The hospital increased its use of contract health care professionals, particularly nurses. Specifically, the hospital contracted an additional 60 nurses, for an increase of about 52,230 hours of contract labor nurses between the first 5 months of 2005 and the first 5 months of 2007. We estimated that approximately $3 million of the $9.7 million increase was due to this increase in contract labor services for health care professionals.

- The hospital's average hourly wage rates increased from $21.40 to $23.51 for all salaried employees and decreased from $58.85 to $47.86 for contract labor services. The hospital's overall average hourly wage rate increased from $24.61 to $25.60, or approximately 4 percent, between the first 5 months of 2005 and the first 5 months of 2007. We estimated that approximately $4.2 million of the $9.7 million increase was due to an increase in the hospital's average hourly wage rates. Further, we estimated that $2.9 million of the $4.2 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 remained about the same during the testimonial periods (Appendix C) even though the number of salaried and contract labor nurses employed by the hospital and the average hourly wage rates for those nurses both increased. According to hospital officials, the hospital initially hired and sponsored foreign nurses to fill vacant nurse positions following Katrina, but immigration issues and limits on visas prevented the hospital from retaining these nurses full time. Hospital officials stated that the hospital then hired additional salaried and contract labor nurses at competitive wage rates because of the scarcity of qualified nursing professionals in the greater New Orleans area. Officials stated that the hospital lost about 300 nurses because of the hurricane's damage to lives, homes, and property and the closure of facilities. The hospital had to compete with other medical providers for the limited supply of nurses and support staff. Accordingly, the hospitals' nursing wage rates increased.

Utilities Expense

As stated in the testimony, the hospital's utility expense, which included electricity, water, and gas, increased from $1.7 million to $2.4 million (38 percent) between the first 5 months of 2005 and the first 5 months of 2007. We reviewed all of the electricity invoices from each period. The main cause of the increase was a rise in the fuel adjustment factor on the electricity expense. 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 $2.9 million to $3.2 million (13 percent) between the first 5 months of 2005 and the first 5 months of 2007. The main cause of the increase was an increase in medical malpractice insurance expense. We verified the testimony amounts against the hospital's financial records.

Depreciation and Amortization Expense

As stated in the testimony, the hospital's depreciation and amortization expense increased from $7.8 million to $8.5 million (8.5 percent) between the first 5 months of 2005 and the first 5 months of 2007. The main cause of the increase was the development of a new software system in 2006. We verified the testimony amounts against the hospital's financial records.

Bad Debts Expense

As stated in the testimony, the hospital's bad debt expense increased from $11.6 million to $12.8 million (10 percent) between the first 5 months of 2005 and the first 5 months of 2007. We verified the testimony amounts against the hospital's financial records. The hospital did not receive Medicaid Disproportionate Share program payments during the first 5 months of 2005. We verified that the hospital received a $3.6 million Medicaid Disproportionate Share program payment in January 2007 that was included in net patient revenue. Because of the minimal increase in the hospital's stated bad debt expense between the first 5 months of 2005 and the first 5 months of 2007, we did not perform detailed testing.

Other Operating Expenses

As stated in the testimony, the hospital's other operating expenses, which included purchased services (consulting, information technology), purchased medical services (anesthesia services, medical testing services), and maintenance, increased from $24.2 million to $30.2 million (25 percent) between the first 5 months of 2005 and the first 5 months of 2007. We judgmentally selected for review other operating expenses from each period. The sampled items accounted for 2 percent of the 2005 and 8 percent of the 2007 total other operating expenses for each period. The expenses we reviewed were properly recorded in the hospital's financial records. The main cause of the increase was new contracts for consulting services and anesthesiology. According to the hospital, the consulting services were to help the hospital become more profitable. The contract with the anesthesiology group guaranteed the anesthesiologists a certain level of income. We reclassified amounts from other operating expense to salary and contract labor expenses.

REVENUE

Net Revenues Included in Testimony

The hospital's financial data presented in the testimony showed that the hospital's total net operating revenue increased from $132 million to $135.9 million (3 percent) between the first 5 months of 2005 and the first 5 months of 2007. About 97 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 $128 million for the first 5 months of 2005 and $131 million for the first 5 months of 2007, for an increase of $3 million (2.3 percent).

Revenues Received During Testimonial Periods Not Included in Testimony

The hospital received $4,049,191 in a Medicare Wage Index Stabilization grant in April 2007. This grant from the Department of Health and Human Services was intended to compensate the hospital for its Katrina-related increased labor costs. This amount was not included in the hospital's 2007 testimonial revenue.[1] As noted in the testimony, Wage Index Stabilization grant funds were not included. The adjusted other operating revenue amount is shown in Appendix B.

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 its testimony, services provided to uninsured/self-pay patients increased between 2005 and 2007.

East Jefferson'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[2]	45.0	50.6	5.6
Commercial fee-for-service	16.7	14.7	-2.0
Commercial Managed Care	17.2	19.4	2.2
Medicaid	5.9	7.1	1.2
Other	12.2	3.8	-8.4
Uninsured/self pay	3.0	4.3	1.3

[1]The hospital received an additional Medicare Wage Index Stabilization grant totaling $1.4 million in June 2007.

[2]Medicare includes Medicare fee-for-service and Medicare Managed Care.

RECOMMENDATIONS

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

EAST JEFFERSON GENERAL HOSPITAL COMMENTS

In its written comments on our draft report, the hospital agreed with the results of our review. 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 costs on its FY 2005 Medicare cost report for fringe benefits that were not included in its audited financial statements. Overstated fringe benefit costs result in overstated average hourly wage rates. 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.

Because this matter was not part of the objective of this review, we will issue a separate report to the hospital on the 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	$128,153,825	$131,098,019	2.30%
Other Operating Revenue	3,797,501	4,834,682	27.31%
Total Operating Revenue	**$131,951,326**	**$135,932,701**	**3.02%**
EXPENSES			
Salaries			
Nursing	15,968,044	18,573,306	16.32%
Physician	2,658,193	3,091,890	16.32%
Other	28,588,558	33,252,917	16.32%
	47,214,795	54,918,113	16.32%
Contract Labor			
Nursing	$1,842,882	5,066,324	174.91%
Physician	0	0	
Other	0	0	
	1,842,882	5,066,324	174.91%
Employee Benefits	11,432,700	11,678,186	2.15%
Supplies	17,778,653	19,580,841	10.14%
Utilities	1,744,979	2,401,138	37.60%
Insurance	2,857,206	3,220,632	12.72%
Interest Expense	5,176,986	4,332,972	-16.30%
Depreciation and Amortization	7,849,056	8,515,640	8.49%
Bad Debts	11,646,190	12,799,505	9.90%
Other Operating Expenses	24,245,584	30,217,132	24.63%
Total Operating Expenses	**$131,789,031**	**$152,730,483**	**15.89%**
NET GAIN/LOSS FROM OPERATIONS	**$162,295**	**($16,797,782)**	**-10,450.14%**

APPENDIX B

RESTATED REVENUES AND EXPENSES

Shaded items are items we reviewed.	**January–May 2005**	**January–May 2007**	**Percentage Change**
REVENUES			
Total Net Patient Revenue	$128,153,825	$131,098,019	2.30%
Other Operating Revenue	3,797,501	8,883,873[1]	133.94%
Total Operating Revenue	**$131,951,326**	**$139,981,892**	**6.09%**
EXPENSES			
Salaries			
Nursing	17,873,112	20,950,082	17.22%
Physician	2,960,146	2,808,989	-5.11%
Other	26,409,857	30,717,883	16.31%
	47,243,115[2]	54,476,954[2]	15.31%
Contract Labor			
Nursing	1,484,819	4,455,369	200.06%
Physician	1,695,684	801,964	-52.71%
Other	358,064	745,895	108.31%
	3,538,567[3]	6,003,228[3]	69.65%
Employee Benefits	11,432,700	11,678,186	2.15%
Supplies	17,778,653	19,580,841	10.14%
Utilities	1,744,979	2,401,138	37.60%
Insurance	2,857,206	3,220,632	12.72%
Interest Expense[4]	5,176,986	4,332,972	-16.30%
Depreciation and Amortization	7,849,056	8,515,640	8.49%
Bad Debts	11,646,190	12,799,505	9.90%
Other Operating Expenses	22,549,900[5]	29,415,168[5]	30.44%
Total Operating Expenses	**$131,817,352**	**$152,424,264**	**15.63%**
NET GAIN/LOSS FROM OPERATIONS	**$133,974**	**($12,442,372)**	**-9,387.15%**

[1]Other operating revenue was increased by $4,049,191 from the Wage Index Stabilization grant.

[2]Total salaries were increased by $28,320 for 2005 and decreased by $441,159 for 2007 based on unreconciled differences.

[3]Total contract labor expenses were increased by $1,695,684 for 2005 and $801,964 for 2007 because of reclassification from other operating expense. Total contract labor for 2007 was also increased by $134,940 because the hospital identified additional expenses after the testimony presentation was prepared.

[4]The hospital received a Community Disaster loan of $61,024,950 from the Federal Emergency Management Agency in 2006. The loan proceeds are being claimed as a liability, and interest expense is accruing on this debt. Recent congressional action permits forgiveness of this loan after 3 years.

[5]Other operating expenses were decreased by $1,695,684 for 2005 and $801,964 for 2007 because of our reclassification of contract labor expenses.

APPENDIX C

PATIENT VOLUME BETWEEN 2005 AND 2007

Type of Service	January–May 2005	January–May 2007	Change
Inpatient Services			
Patient Days	51,528	47,676	-7.48%
Average Length of Stay (days)	5.47	5.46	-0.18%
Case-Mix Index[6]	1.36	1.41	3.83%
Outpatient Visits	71,739	72,967	1.71%
Nursery (patient days)	3,273	3,871	18.27%

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

APPENDIX D

EJGH

Louisiana's
First Nurse Magnet Hospital

April 18, 2008

Response to Report Number A-06-08-00009

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

Dear Mr. Sato:

I am writing in regards to the Office of Inspector General's (OIG) draft report number A-06-08-00009, entitled "Review of Expenses and Revenues Presented in Congressional Testimony by East Jefferson General Hospital." East Jefferson General Hospital appreciates the work done by the OIG. This draft report has been reviewed and East Jefferson General Hospital offers one point of clarity to information being provided. On several occasions East Jefferson General Hospital is described as a 354-bed acute care hospital. We would like to note that we have 100 additional beds that include psychiatric beds, rehab beds, and skilled nursing beds.

East Jefferson General Hospital strongly believes that the report substantiates East Jefferson's testimony before the Committee on Energy and Commerce in the U.S. House of Representatives and highlights the need for financial assistance for East Jefferson General Hospital. The stability of the health care infrastructure in New Orleans is vitally important for the rebuilding of our community. The stability of the health care environment is also vitally important to our residents as they live and work in our region. The current operational losses at East Jefferson General Hospital are not sustainable and without assistance action will have to be taken. Actions under consideration include reduction of beds, including mental health beds, and reduction, if not elimination, of specific services that are very important to our community.

In summary, we feel that this report is accurate and is consistent with East Jefferson General Hospital's attempt to share the facts in an objective fashion. We are hopeful that concerned elected officials will consider this report and our testimony and consider providing additional financial support to East Jefferson General Hospital.

Sincerely,

Mark J. Peters, M.D.
President and
Chief Executive Officer

MJP/rjw

East Jefferson General Hospital

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