



Press Release 9-5-16

Shreveport School of Medicine Fiscal Crisis Tied To Questionable LSU Financial Management Practices; LSU Reserves Drawn Down \$200 Million Since 2011

The LSU School of Medicine in Shreveport has engaged in systematic submission of questionable invoices to University Health since hospital privatization began that suggest a pattern of poor fiscal management underlying the school's current financial crisis.

Since 2011, long before hospital privatization began, LSU has drawn down more than \$200 million in reserves in an attempt to balance its budget (see attached chart). Since privatization on October 1, 2013, University Health has paid LSU more than \$380 million in addition to the annual state budget allocation it receives, and yet the medical school remains in such critical financial condition that the Louisiana Board of Regents recently put it on fiscal watch.

“Rather than attempting to wrongly blame the BRF and University Health for its fiscal crisis, LSU President King Alexander should be looking into the questionable financial practices at the School of Medicine,” said Steve Skrivanos, chairman of the University Health System Board of Directors. “Questionable financial management at the LSU School of Medicine is threatening one of north Louisiana’s most important assets and the community deserves transparency and accountability from LSU at this critical time.”

Errors in invoices submitted by LSU to University Health for payment for physician and other services have occurred each month over the last three years requiring University Health to routinely adjust and correct LSU invoices to account for the errors.

Examples of the types of errors in the invoices LSU submitted to UH for payment include:

- LSU overbilled UH more than \$5.6 million for teaching, supervision and physician services that included charges for physicians no longer on staff, physicians double-counted and residents who worked more days than actual days in the month
- LSU overbilled UH more than \$1.8 million for indigent care for patients
- LSU failed to pay UH \$2.2 million in cash it collected or received on behalf of UH
- LSU incorrectly billed UH more than \$900,000 because of math and calculation errors

In addition to the invoice errors, between October 2013 and June 2014, the LSU School of Medicine failed to even submit what should have been monthly invoices for services over that nine-month period. Even so, University Health, in good faith, paid the school \$4.2 million each month as estimated payments in an attempt to fulfill its obligations as a public-private partner and help the school maintain its cash flow and financial stability.

In testimony before the Louisiana Board of Regents recently, Dr. Alexander was asked about the purpose of LSU drawing \$40 million from its reserve funds. Dr. Alexander said that as University Health invoices “don’t get paid, we have to burn more and more of our reserves down...” But, in the five months of January through May of 2016, the total amount of LSU’s invoice errors adjusted by University Health amounts to only \$4.61 million, roughly 10 percent of the \$40 million withdrawn from the LSU reserve funds. All money owed to LSU by University Health that is not tied to disputed invoice charges are paid and current.

“The real question LSU President Alexander should be asked is what happened to the money?” said Skrivanos. “More importantly, community leaders in north Louisiana should be demanding answers from the LSU School of Medicine, a taxpayer-supported public institution, about how the school’s financial management created a crisis that threatens the future of maintaining graduate medical education in north Louisiana.”

In fact, in the eight years before hospital privatization, LSU’s own audited financial statements show that the medical school had mounting operating losses, and in virtually all of those years, before University Health took over the hospital, the hospital had operating losses as well (see attached chart).

In testimony before the Joint Legislative Committee on the Budget on August 23, 2013, then LSU Vice Chancellor Hugh Mighty testified that under privatization LSU would need \$48 million for professional services fees for the school to balance its budget (you can view the testimony here: <http://bit.ly/2c0ttJl>). But within 60 days, LSU said it had erred and that it would need double that amount, which the BRF and University Health agreed to pay. Even with the additional \$50 million per year, the LSU School of Medicine remains unable to balance its books.

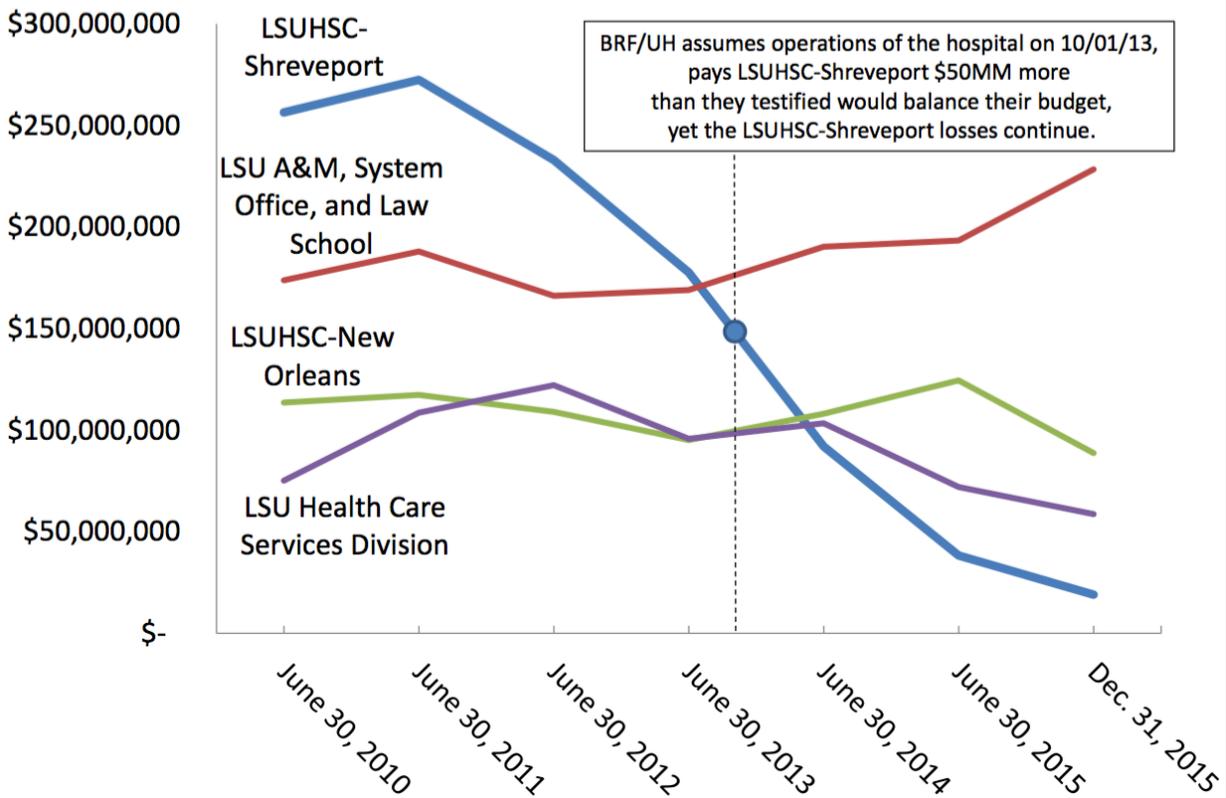
Other evidence supporting management issues include the school’s inability, in roughly the same time period beginning in 2009, to secure important third-party funding for research, which was also in decline well before hospital privatization. (see attached chart).

According to press reports, in placing the LSU School of Medicine on fiscal watch, the Board of Regents used an accountability model based on a 0-5 (poor-to-excellent) scoring system used by the Ohio Department of Education to provide early warning of financial problems and financial stress at Louisiana universities. The LSU School of Medicine in Shreveport received a 1 rating. Dr. Alexander told the Regents “when that number one drops to a zero for us we’re out of business.”

“The unfortunate and inaccurate statements from Dr. Alexander about the BRF and University Health seem designed to misdirect public attention from the real underlying issue of questionable financial management and lack of transparency at the LSU School of Medicine,” said Skrivanos. “The BRF and University Health did what we said we would do, and more. The facts are available. The north Louisiana community deserves and should demand from LSU a full and transparent accounting before it is too late to save our school.”

Fund Balances at Various LSU Campuses

(Information obtained from LSU Operating Budget Reports published on LSU’s website)



LSU began drawing down its reserves in 2011, a full two years before hospital privatization, signaling financial management problems at the School of Medicine. Records show more than \$100 million had been spent from LSU reserve funds before BRF/UH took over the hospital on October 1, 2013.

LSU Shreveport's Growing Operating Losses

LSU Shreveport Fiscal Year Ended Operating Results (from audited income statements)

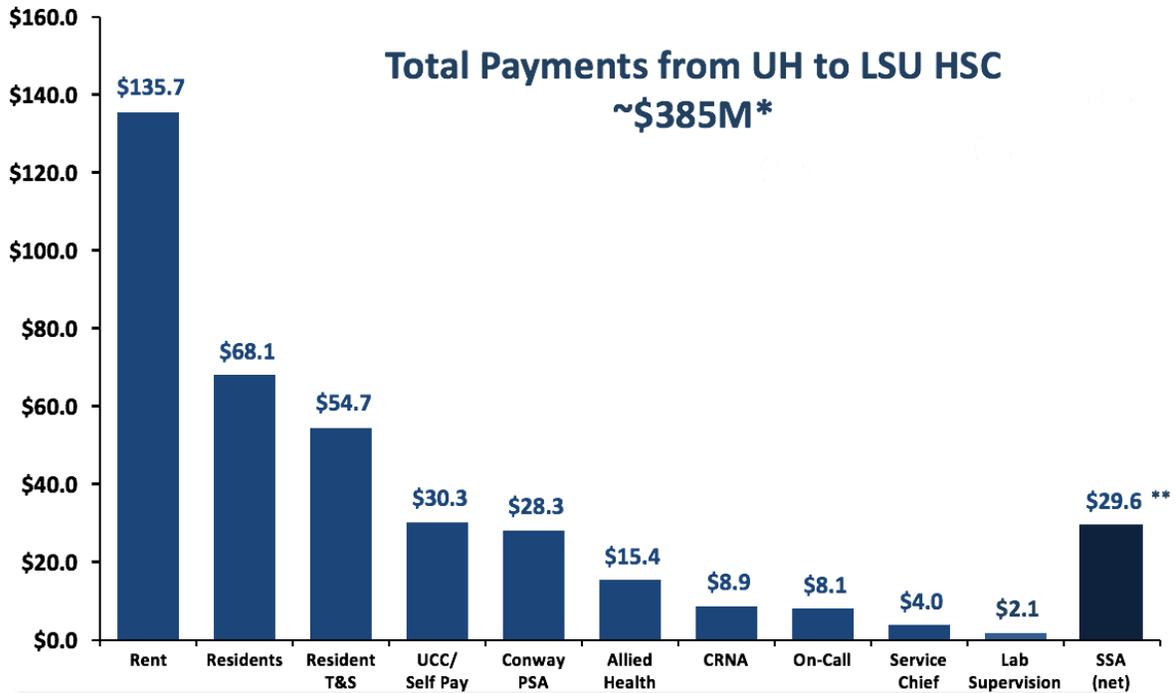
	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13
Medical School Plus Hospital Operating Gain/(Loss)	\$(52)	\$(64)	\$(102)	\$(83)	\$(69)	\$(114)	\$(184)	\$(113)
Hospital Gain/(Loss)	-	(10)	(21)	14	17	(26)	(77)	(8)
Est. Medical School Gain/(Loss)	(52)	(54)	(81)	(97)	(86)	(88)	(107)	(105)

* in millions

This chart shows that as early as the 2005-2006 fiscal year, well before hospital privatization, the LSU School of Medicine in Shreveport had growing operating losses.

UH Payments to LSU HSC Post Privatization (\$ millions)

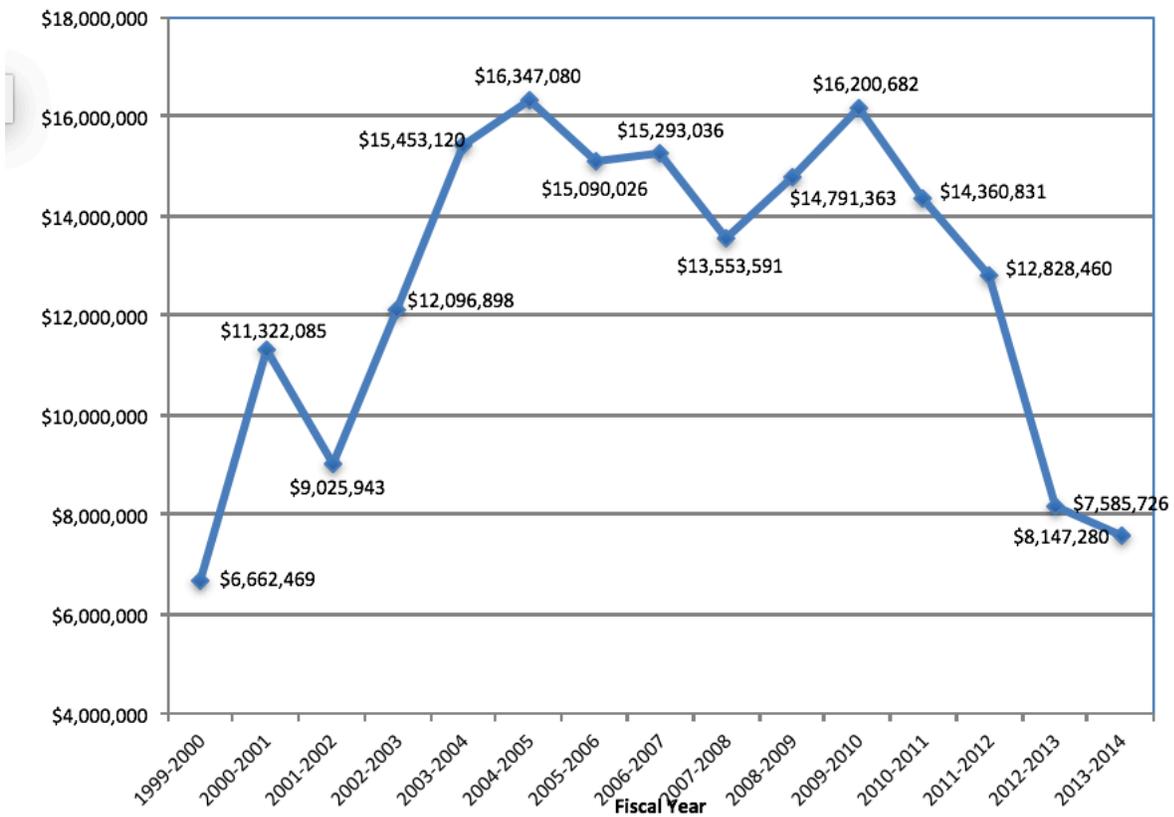
Through May 2016, UH is current on all non-disputed LSU HSC invoices



* Payments include all amounts paid from 10/1/2013 – 08/22/2016

**SSA Payments is net of amount billed back to LSU HSC for Shared Services

LSUHSC-S (FY2000-2014)
Total Basic Science Research Funding



Basic research funding at the LSU Health Sciences Center in Shreveport dropped by more than half from 2009 until 2013, the first year of hospital privatization.