

Top Private Companies: Ochsner, LCMC raise revenues amid state budget uncertainty

Editor's note: The following story is part of the annual Top Private Companies report that was featured in the March 16 CityBusiness.

By: Michael Joe, Reporter March 20, 2018 0

The region's top hospital groups saw revenue gains in 2017 with more patients utilizing expanded services and facilities, but hospital executives are closely watching whether the state Legislature can agree on revenue raisers to address a large budget shortfall.

Ochsner Health System posted a nearly 9 percent boost in total operating revenue, from \$2.8 billion in 2016 to \$3.05 billion in 2017, which it attributed to more patients.

Meanwhile, LCMC Health realized a 5.1 percent increase in revenue from \$1.38 billion in 2016 to \$1.45 billion in 2017.

Gregory Feirn, LCMC's CEO, said the increase reflects very strong growth at University Medical Center, the city's safety-net hospital it manages for the state, and incremental growth at its four other hospitals in the metro area.

UMC saw improvements in patient care, satisfaction and access as well as more transfers from other hospitals to its Level 1 trauma center.

"All those things turn into more volume, and a fair amount of that is coming from outside the metro area," Feirn said.

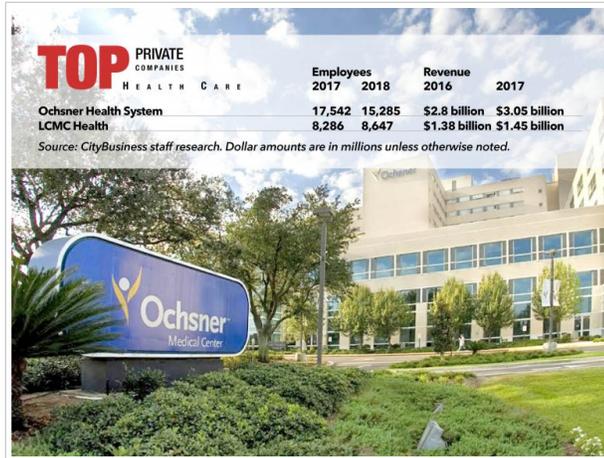
Not-for-profit hospitals are being challenged by reimbursement pressure from Medicare and Medicaid as the industry moves toward value-based payment models to curb the cost of care. At the same time, analysts say, providers are also facing higher expenses for pharmaceuticals and labor and the cost of investments in new technology to help hospitals coordinate care.

This year, LCMC is integrating its hospitals under the same EPIC electronic medical record platform that UMC uses. But the hospital system is continuing to make significant investments in upgrading facilities and expanding primary and specialty care services.

A new \$2.3 million burn center, a top priority for teaching faculty at UMC, is set to open in the coming weeks. The first burn center in the city in almost 30 years will include 16 intensive care units beds and an outpatient clinic, making UMC one of only 66 combination Level 1 trauma and burn centers in the nation.

A recently opened \$3.7 million primary care clinic at UMC is part of a system-wide effort to grow primary care capacity and patient visits. Meanwhile, Touro Infirmiry is updating its family birthing center and rehabilitation services, New Orleans East Hospital has added new cardiology and urology services and West Jefferson Medical Center will undergo a expansion and renovation project this fall.

Last spring, LCMC launched a four-year, \$300 million expansion and modernization of Children's Hospital in Uptown New Orleans and recently announced plans for a new 50-bed behavioral health center at the State Street campus to replace a smaller center at a separate campus. Feirn noted that Congress' recent bipartisan agreement to fund the



Children's Health Insurance Program for 10 years was good news for the hospital and families that depend on the program.

Meanwhile, Ochsner continues to expand its geographic reach and services. In the last year, Ochsner has announced a \$100 million expansion in the Baton Rouge market and a joint venture it is pursuing with CHRISTUS Health in the Lake Charles region. Ochsner currently owns, manages or affiliates with 30 hospitals across Louisiana and Mississippi.

Ochsner president and CEO Warner Thomas said its nearly 9 percent revenue growth was driven by a 10 percent increase in unique patient visits. More than 733,000 people sought care at Ochsner's hospitals and health centers in 2017.

"We are really seeing a tremendous growth coming from not just New Orleans or Louisiana, but across the nation and across the globe. We are seeing more and more people come in to New Orleans for this destination-type health care," said Thomas, who noted that its "centers of excellence" in transplants, neuroscience, cardiology, cancer and sub-specialty in pediatric heart care saw significant growth.

"It's obviously great from a health care perspective. We love taking care of people. But we have a huge economic impact as well," Thomas said.

Ochsner's latest major move announced late last year was signing a letter of intent to manage the state's safety-net hospitals in Monroe and Shreveport, which is also a teaching hospital.

Negotiations over a long-term agreement are ongoing and Thomas said good progress is being made. "We would imagine in the next several weeks you'll see us come to a completed agreement with the state and to with LSU," Thomas said.

"We feel we can very helpful to LSU and the LSU system as well the communities in Shreveport and Monroe. It's a great opportunity to expand our presence in the northern part of the state, and also to build strong academic relationships with LSU in education and in research to expand and grow our capabilities jointly," Thomas said.

But a \$700 million state budget shortfall looms as a threat to essential services at safety-net and community hospitals, which serve the vast majority of the state's Medicaid and indigent patients.

Cuts to state Medicaid spending would be compounded by the loss of matching federal dollars, and Gov. John Bel Edwards warns the shortfall would shutter hospitals, endanger medical school and lead to thousands of job losses.

During a recent special session, the Legislature failed to agree on revenue raisers to offset expiring sales taxes, and now a second special session to debate taxes is being planned in June following the regular session.

"Given where the budget is right now, that level of reduction in funding would have a catastrophic impact on the UMC and its ability to serve the community," Feirn said. "Whether it's ER, behavioral health, trauma center, you name it — across the board we would have to pull back."

Thomas expressed optimism that a mutually satisfactory compromise will be reached.

"I've got my faith in our government officials and we have every confidence that it will be done," Thomas said. "Obviously if it didn't, we'd have other things we'd have to look at."

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