Commentary

Staying Financially Afloat in the Wake of a Public Health Crisis

Kevin U. Stephens, Sr

Poised to make it through the current fiscal year, the City of New Orleans and the New Orleans Health Department (NOHD) are coming to terms with the financial challenges facing the local healthcare delivery system, which are nowhere near resolved or even fully realized. The financial challenges encountered pre-Katrina have been exacerbated by the post-Katrina healthcare challenges facing the NOHD more than a year after the disaster. As the official health agency for Orleans Parish, the mission of the NOHD is to protect, maintain, and enhance the health status of our citizens, visitors, and communities through disease mapping, prevention, and management. This principle is a resounding call to focus our financial as well as human resources to rebuild a healthy infrastructure.

Pre-Katrina

It is necessary to look at conditions before August 2005 (pre-Katrina) and examine the way health funding mechanisms worked for local public health entities before problems of the NOHD can be attributed solely to *budget cuts*.

Before the storm, NOHD's position within the healthcare community, under the State of Louisiana's Department of Health and Hospitals (DHH), and as an arm of city government, resulted in less autonomy in making and spending revenue. The NOHD is chartered by the state to provide medical and dental services, special health programs, and emergency medical services. It is accountable to all funding sources—local government and federal and state grant providers as well as patients and EMS transportation contractors. As a municipality, NOHD's budget has historically accounted for 3 to 4 percent, or approximately $20 million, of the city's total operating budget.

The NOHD is unique among other city divisions in that it is a revenue-generating department. Its clinical competency has entailed the delivery of preventive and primary healthcare to the uninsured (paying and nonpaying), Medicaid or Medicare enrollees, and homeless persons at any one of ten clinic locations and two school-based sites before Katrina. Unable to afford electronic billing software, Medicaid and Medicare reimbursable claims are processed manually, increasing the likelihood of denials. When uncompensated care dollars do not materialize and fees assessed for services are below cost, the clinics cannot break even. In addition, clinics do not receive incentives to bring in dollars from the patient services they render because neither the individual clinics nor the NOHD is able to keep the money in its own accounts (the money is deposited into the city's general fund pool).

The state assumes a major role in public health. Federal monies often stop at the DHH, which has one of the largest state agency budgets. Over time, many of the surveillance responsibilities have become centralized in Baton Rouge with the DHH. Since New Orleans is the only Louisiana city to have its own health department, the NOHD is frequently ignored in the federal and state appropriation processes when monies for initiatives that could aid metropolitan areas are given to the state. NOHD has worked with the Louisiana State Medical Society and the Redesign Collaborative (a 40-person panel appointed by the Governor to redesign the Greater New Orleans Healthcare Delivery System) to develop and implement a plan to establish a "Health Insurance Connector" administrative system for making health insurance personal and portable for all

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citizens. A concept paper was submitted to Secretary Mike Leavitt on October 20, 2006, detailing a plan to redirect existing subsidies to cover the uninsured citizens up to 200 percent of the federal poverty level. The intent is for the disproportional share dollars (DSH) to follow the patient rather than be institutionally based. If approved, this plan would create a "medical home," provide fair reimbursement to providers, monitor quality indicators, and develop systemwide healthcare information technology network ensuring communication of healthcare information. The primary purpose will be to give patients access to community-based preventive and primary healthcare services. Another key component is allowing citizens to have legitimate choices of healthcare providers, by providing adequate coverage and fair market reimbursement through an insurance model. It is our intent to utilize this combination to fuel the redesign of our healthcare delivery system, making it one of the best in the country.

Post-Katrina

The NOHD was funded at bare levels before the storm and these funding problems were exacerbated by post-Katrina economic realities. Chief administrators recognized the potential of a shallow tax base and erosion of economic activity in 2006. Fiscal retrenchment at the end of 2005 dominated the budgetary process and stripped all the city's departments of their prestorm proportion of the general fund. The $16-million-plus capacity of the NOHD for fiscal year 2006 would represent about 3.5 percent of the city's budget in the first year after the storm. This represented a $4 million reduction from 2005, a year also marked by minimal medical services available for the poor and uninsured, including persons who have recently been laid off from jobs with rich benefits plans. Also, nearly half of NOHD's revenues were from grants (approximately $7 million in 2006) earmarked for specific interventions. Consequently, some services have no longer been available because grants were not renewed owing, in part, to unstable population estimates.

Mayor Ray Nagin expects to carefully plan for the use of federal loans so that they will be helpful for as long as possible. His major goal is to diminish reliance on emergency assistance within 2 years. Funding levels for the NOHD near those of 2005 will not be a reality in the short term. As the city prepared its budget for 2006, fiscal contingency plans did not look promising primarily because of the lack of a strong sales tax base, which has been historically driven by tourism. When the budget came from the Chief Administrator's office last fall, the general fund (the part financed by fees and taxes) was set at $317.4 million, a reduction of $155.3 million from the budget approved a year earlier. Projections showed that despite cuts of 30 to 50 percent across all departments in city government and continued layoffs of 2,400 city workers, there would be a deficit for the city. Surprisingly though, a year after the storm there was a robust sales tax collection ($51 million or 77% of pre-Katrina levels) and property tax revenue (an anticipated $63 million or 80% of 2005 levels). This indicated that the city could sustain itself with special loans under the Gulf Opportunity Zone Act and a portion of Federal Emergency Management Agency (FEMA) disaster loans. Allowable limits are as much as 50 percent of a municipality's operating budget, which is $240 million of the $480 million. While this option was better than that of securing a $150 million line of credit from a conglomerate of banks, not knowing the timeline for repayment of the federal loans would restrain the city officials from using the general fund optimally. This is a vulnerable position since the city's financial forecast has a direct impact on NOHD's ability to finance projects like a Hospital Service District, wherein a bond issue might not be attractive, with bonds deemed below investment grade.

NOHD's share of the downsizing was a reduction in full-time employees, from 300 to 62 to date. Clinic locations were closed if they were unfit for clinical use post-Katrina or in neighborhoods that lacked residents. Forced to innovate, three clinics (one housing and two clinical programs) and one school-based clinic remain open. Woman, Infant, and Children sites have been condensed from seven to two. A complex financial formula dictates how, when, and where clinics go back on line. Filing for reimbursement for certain losses through FEMA is extensive and has tested the city's ability to work together with other levels of government on fiscal matters. Securing FEMA reimbursements for equipment losses is just one step toward minimizing costs already incurred.

Presently, the NOHD stays afloat on the prospect of renewals of those once-released grants and obtaining new, more innovative grants that better help our present community. No matter the setbacks that come our way, the NOHD never loses focus of its mission: to protect, maintain, and enhance the health status of all in New Orleans. We look forward to a better day when all of our clinics are fully operational, our employee levels increase, and our budget becomes one that will enable us to progress in the future.