

Louisiana Medicaid

6/15

Monahan

LA: Breaux brought state legislators onto phone w/Bruce to discuss private sector alternative; darrel agreed to send letter saying it's too vague; must comply with provider tax law; they submitted legislation to us;

DC Medicaid: Edelman and Sally w/Michael Rogers to give technical assistance;



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

Louisiana M.D. W.

F41.

-Diana

JUN 8 1995

The Honorable Edwin W. Edwards
Governor
State of Louisiana
Baton Rouge, Louisiana 70802

Dear Governor Edwards:

I enjoyed speaking with you this week regarding the status of Louisiana's section 1115 health care demonstration proposal. As I mentioned on the phone and during your visit to Washington in January, we are pleased to work with you to develop a health reform proposal that is budget neutral and consistent with our statutory waiver authority.

We understand that the state is facing a substantial budget shortfall in the upcoming fiscal year as Congressional limitations on states' use of provider taxes and disproportionate share hospital (DSH) payments take effect. We are concerned about Louisiana's potential budget shortfall and its effect upon Medicaid beneficiaries, but we cannot waive these statutory restrictions.

As we discussed on the telephone, there are limits on our waiver authority from which we must not deviate. First, the federal matching percentage (FMAP) cannot be waived, even indirectly. Second, the state must raise its share of Medicaid expenditures in a manner consistent with federal laws in effect during the term of the waiver. Third, the proposal must be budget neutral. Our staff have clearly conveyed these criteria to Louisiana officials in discussions regarding other financing options suggested by the state.

Like previous financing proposals offered by the state, your current proposal does not meet these criteria. The financing for Louisiana's proposal depends upon "profits" obtained from the public managed care plan (MCP). The concept of the state paying the public MCP a capitation rate that exceeds actual costs, so as to generate a profit margin that will be transferred back and used as state share to obtain additional federal funds, is not approvable. Congress prohibited similar arrangements by setting limits on DSH payments in the Omnibus Budget Reconciliation Act

Page 2 - The Honorable Edwin W. Edwards

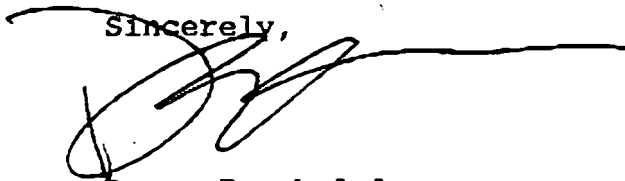
of 1993 (OBRA 1993). The section 1115 demonstration authority cannot be used to enable a state to develop other arrangements that, directly or indirectly, increase the federal matching percentage for that state.

In addition, in establishing the budget neutrality of a section 1115 demonstration, it is necessary to project what Medicaid costs would be in the absence of a waiver. An accurate baseline must reflect the requirements of current law, including DSH payment limitations imposed by OBRA 1993. Consequently, it is unacceptable to use FY 1995 federal DSH spending as the basis for projecting likely federal costs in FY 1996 and beyond if those payments cannot be continued under the OBRA 1993 provisions that take effect on July 1, 1995. Instead, the appropriate estimate of future federal costs should reflect the amount of federal funds a state may draw down under applicable law.

Again, we are deeply concerned about the effect of the state's expected budget shortfall on Medicaid beneficiaries and are committed to playing a constructive role in the state's efforts to restructure its health care delivery system. As I mentioned in our conversation, we look forward to learning the amount of financing that you believe Louisiana can provide under applicable law for its Medicaid program. This will determine the appropriate amount of federal funds that can be drawn down under your state's federal matching percentage. Once you have made this decision regarding financing, we stand ready to work with you to develop a waiver plan that is approvable under law. I am prepared to ask our staff to provide any appropriate assistance that may be useful.

I appreciate the hard work that you and other Louisiana officials are devoting to these crucial issues relating to the Medicaid program. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to be "Donna E. Shalala", written over a horizontal line.

Donna E. Shalala



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WASHINGTON, D.C. 20201

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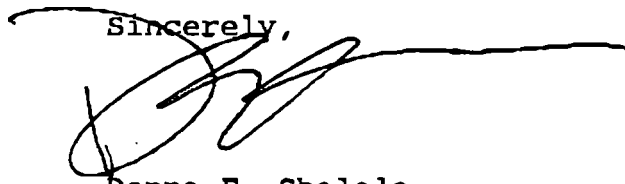
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Sincerely,



Donna E. Shalala

SATURDAY, JUNE 3, 1995 THE TIMES-PICAYUNE A.

BATON ROUGE REPORT

Medicaid bailout gets boost

Clinton lends hand; LSU quashes option

AMELA COYLE
BRUCE ALPERT
Writers

BATON ROUGE — Gov. Edwards' proposal to solve the state's Medicaid crisis got two significant boosts Friday, including what he described as a "handshake" commitment from President Clinton to do what he needed to speed approval of the plan needed to bail out the program.

"He gave me his personal assurance over a handshake that he would personally do what he would need to see that it was approved expeditiously as possible," Edwards said.

Edwards was in Washington for a meeting of governors and to ask federal officials to approve a plan that, in part, converts Louisiana's charity hospital system into a public health maintenance organization.

Meanwhile in Baton Rouge, the Louisiana State University Board of Supervisors tossed a blanket Friday over a House-backed plan Edwards has opposed to turn over control of the hospital system to the LSU Medical School.

Voting unanimously, the board urged the Legislature to back off, if it approves such a bill, and urged the governor to veto it.

As set up, the proposed state deal is too shaky and LSU

"I would say it is almost a lose-lose proposition as far as the LSU system is concerned."

GORDON DORE,

Louisiana State University
Board of Supervisors member

thought the proposal was "bad for the LSU system and its future," but that he would sign legislation abolishing the Louisiana Health Care Authority and turning over the hospitals to LSU unless the board goes on record asking him to veto it.

A bill to ask the authority, which runs the charity system now, passed the House overwhelmingly and has been awaiting a hearing in a Senate committee. Many observers predict the Senate, which traditionally sides with Edwards, will not approve it.

"Looking at that budget, I can tell you it would be a disaster for LSU to get involved," said LSU board member Victor Bussie, whose wife, Fran, is vice chairman of the authority. "Many of those hospitals may have to be closed. It would be one of the bitterest political fights in this state that has ever taken place."

Meanwhile, the fate of competing plans is uncertain. One plan that the House approved unanimously would let private HMOs compete for roughly 98,000 Medicaid patients and \$2 billion worth of business.

Edwards said Friday the plan was "written off as unworkable" almost as quickly as it was floated before federal regulators.

But one of the plan's architects, Rep. Elias "Bo" Ackal, D-New Iberia, said earlier this week that Edwards had agreed to submit a formal request for a waiver of compliance and allow the federal Health Care Financing Administration to decide among the options.

The plan has broad support in the House, where key leaders from the New Orleans, Acadiana, liberal and conservative delegations put it together.

"I can't tell you this is the ball and the end-all, but we are getting close," Rep. Garey Fortner, R-New Orleans, said of the House plan.

The Senate Insurance Committee is expected to take up the private HMO plan next week. Ackal said the plan had "strong support in the Senate," but Senate President Samuel Nunez, D-Chalmette, said Thursday that senators are evaluating all options.

Louisiana is under pressure to overhaul its health care system

for poor people and those on modest means who do not have private insurance.

A change in federal rules passed by Congress more than two years ago will produce a \$754 million shortfall in the new state fiscal year starting July 1. Officials are searching desperately for ways to finance health care while generating money to qualify for extra federal matching funds to keep the charity system afloat.

Key financial pieces of Edwards' plan have been criticized as unworkable, but a federal HCFA spokeswoman Friday would say only that the waiver request is "still pending" and the agency will not discuss it until a decision is made.

The clock continues to tick, however. The current legislative session can't go past June 19.

The budget bill now calls for financing a scaled-down medical care system for six to nine months, or until the money runs out. That would dump the problem into the lap of Louisiana's next governor and a new Legislature.

Edwards, who is not seeking re-election, said failure to approve the waiver for his proposal would significantly reduce Clinton's chances of repeating his 1992 win in Louisiana.

A conference call with top Clinton aides to discuss the plan is scheduled for Monday, Edwards said.

Saturday's Paper

from Clinton's side, that the governor

U.S. officials nix latest plan for Medicaid

By MARSHA SHULER

Capitol news bureau

Federal officials have rejected the Edwards administration's latest plan for handling a \$750 million state health care financing crisis.

Members of the state's congressional delegation said they received word of the decision Monday afternoon.

Once again federal officials turned thumbs down on the way the state planned to finance a new health care delivery system for the poor, congressmen said.

Rejection came because the state's plan did not meet the Clinton administration requirement that it could not cost more money. In addition, it relied on the federal government coming up with extra funds — something federal officials have said they cannot do.

Gov. Edwin Edwards, Commissioner of Administration Raymond Laborde and officials of the Department of Health and Hospitals, which submitted the plan, were unavailable for comment late Monday. DHH officials were said to be in meetings discussing what to do as a result of the turn of events.

With less than two weeks left in the legislative session, the development throws another major problem into the Medicaid funding equation.

Officials with the federal Health Care Financing Administration told members of Louisiana's congressional delegation Monday afternoon of their problems with the state's plan.

The Edwards administration plan involved the state using its charity hospitals as a base with which to operate a public health insurance program for the poor and uninsured.

The public program would be in competition with the private sector for Medicaid patients but would be guaranteed all eligible uninsured as a patient base. In addition, the state was seeking a federal subsidy that would have allowed the public program to make a \$391 million profit in its first year while the system got up and running.

U.S. Rep. William Jefferson, D-New Orleans, said HCFA chief Bruce Vladek told him the plan was unapprovable.

Jefferson said the problem with the plan in the financing — that is, the need for extra federal funds — and not the changes proposed for the state's health care system for the poor.

"They thought we needed to move in a different direction than the financing plan was coming from," said Jefferson, who has been coordinating state discussions with HCFA. He said Vladek indicated that federal officials will try to help Louisiana do that.

Jefferson said another part of the problem involved the different signals coming out of Louisiana with regard to

what the state wants to do with its Medicaid program.

As late as last week, a consultant to the Louisiana House was in Washington discussing a different plan with HCFA staffers. That plan involves private health insurance companies providing coverage for Medicaid patients through a health maintenance organization type arrangement. The plan is being advanced by key House leaders Rep. Elias "Bo" Ackai, D-New Iberia, and Rep. Sherman Copelin, D-New Orleans.

The denial came as no surprise to U.S. Rep. Billy Tauzin's office.

"We have not received much in the way of encouragement in recent weeks," Tauzin spokesman Ken Johnson said.

U.S. Health Secretary Donna Shalala reportedly told Edwards the news during an afternoon telephone conference call. While he was in Washington last week, Edwards extracted a promise from President Clinton that federal officials would provide some kind of answer soon.

Edwards' aide, Sid Moreland, said Edwards told Clinton and Shalala the state needed some word because the Legislature is in its final two weeks of the session and the governor wanted "to resolve something before they go

home."

Monday's decision is the second denial of a financial plan for the state's Medicaid program.

The first denial came earlier this year when HCFA turned down a federal bailout until the state could gradually come up with sufficient matching dollars to operate a \$3 billion-plus Medicaid program. HCFA said the state had to come up with its about 25 percent matching share as required by law.

Then, the administration pinned its hopes on a plan being advanced by the Louisiana Health Care Authority, which operates the charity hospitals. It, too, relied on federal officials coming up with extra money but with a little different twist.

Under the plan, the LHCA was projected to generate a \$391 million profit during the 1995-96 budget year by operating a health insurance program for the poor.

That profit would have been the result, in large part, of the federal government agreeing to put up extra funds until the state attracts some 700,000 uninsured citizens to join its plan.

Earlier Monday, the Louisiana Health Care Campaign complained that consumers and health care advocacy groups were being left out when discussions are held about what to do about the state Medicaid problem.

"We need to focus attention on the real people and set some priorities," said Marcus Carson, executive director of the group.

The health care campaign includes such groups as the League of Women Voters, the Louisiana Primary Care Association, the Developmental Disabilities Planning Council, Seniors with Power United for Rights and the Louisiana Mental Health Association.

Carson said the group is worried what will happen if a solution isn't found and the Medicaid program is "gutted."

"One of the things we need to look at is how the prices get set and there should be more people reviewing Medicaid expenditures (to check for fraud)," Carson said.

The Louisiana Health Care Campaign also said it does not like a medical voucher plan being advanced by the Louisiana State Medical Society under which a Medicaid recipient is allotted certain dollars to take care of their medical needs in a given year. Under the plan, the Medicaid recipient can elect to purchase insurance or pay for medical services as the need arises.

Times-pic
6/6/95
Monday

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

03-Jun-1995 10:44pm

TO: Diana M. Fortuna

FROM: Carol H. Rasco
 Economic and Domestic Policy

SUBJECT: RE: HHS phone call to Gov Edwards on Monday

Further thoughts: IN the haze/maze of late Friday I was so glad HHS had set up the call that I probably didn't think through my reply to you as thoroughly as I should have and therefore I want to again thank you for putting on that message....today I had time to go back and think about it and after visiting with Mack, Leon and the President I will be talking with Sec. Shalala when I see her at a meeting tomorrow afternoon (or if she is not there as planned I will call her early Monday) in order to stress to her that Louisiana MUST be worked out...this does NOT mean the waiver has to be approved or even the other waiver...it simply means the problem must be faced with Louisiana and the Fed. govt. must take a proactive role.

You should ask elaborate to you after/before staff meeting Monday.

Again, thank you for putting on the message. I appreciate your work more than I will ever be able to adequately express.

State of Louisiana

Executive Perspective on Pending Medicaid Waiver

1. The Medicaid waiver application pending is absolutely essential to the continuation of Medicaid in Louisiana, as the Medicaid program cuts necessary to fit available State resources in FY96 would not meet HCFA mandatory service requirements.
2. Through the waiver, Louisiana will be able to
 - continue essential Medicaid services
 - expand managed care services including increased primary care for the uninsured
 - maintain the State's safety net system
 - demonstrate for HCFA the rapid conversion of a large uninsured population to managed care.
3. Although a number of different constituencies are promoting their own health care plans for their own purposes in Louisiana, no other plan is financially viable, nor has the Governor's support.
4. All major waiver design features have precedents in other approved waivers and were found conceptually sound when presented by the State to you.
5. We understand that negotiation will be necessary, but must have a public statement of support in time for legislative action prior to the end of our legislative session which adjourns on June 19, 1995.

*Brought by Gov. Edwards
to White House 6/2/95*

Medicaid and Louisiana's Fiscal Problems

Beginning July 1, 1995, the state of Louisiana faces a budget shortfall of about \$750 million. About \$500 million of this shortfall stems from an Omnibus Budget Reconciliation Act (OBRA) 1993 provision that reduced disproportionate share hospital (DSH) payments to providers and reduced/eliminated the State's ability to use DSH funds as the means of leveraging State funds.

Louisiana uses approximately \$1.1 billion in state match to sustain its \$4 billion Medicaid program. In state fiscal year (SFY) 1995, the State appropriated \$290 million from the general fund for Medicaid. (Table 1) The remaining \$810 million was derived from the State's overcollection system (described below) and other minor funding sources. The single largest source of funds used in overcollections was DSH payments. For every \$1 of state match, Louisiana receives approximately \$3 in Federal Medicaid payment. If Louisiana's state match were to consist of the State's general fund appropriation, the Medicaid program would shrink from a \$4 billion per year program to a \$1.2 billion per year program.

Background

OBRA 93 specifically limited the amount and use of DSH expenditures. Upon enactment, states were limited to their total amount of DSH expenditures (\$1.2 billion for Louisiana). Starting July 1, 1994, DSH payments to public providers were limited to 200 percent of total uncompensated care costs. Beginning July 1, 1995, payments to all providers will be limited to 100 percent of uncompensated care costs (\$692 million for Louisiana). In addition, DSH expenditures cannot exceed actual payments made to providers (that is, states cannot use excess DSH funds for other purposes).

Louisiana had significantly increased its total DSH expenditures during the years preceding OBRA 93 enactment. While the State's initial ceiling for DSH was established at \$1.2 billion, actual DSH payments to providers were limited by State policy and appropriations authority. The surplus funds -- overcollections -- were used to supplement State appropriations for the Medicaid program as a whole. (Table 2)

Louisiana has estimated a loss of \$750 million resulting from the full implementation of OBRA 93. The State will lose approximately \$500 million from its original DSH expenditure ceiling due to the requirement to pay providers no more than 100 percent of their uncompensated care costs. In addition, the State will need to generate approximately \$200 million in state matching funds in order to draw down the \$692 million in DSH funds that would be permitted under OBRA 93. These revenues were previously generated by the DSH surplus or overcollections that supplemented the State's Medicaid matching requirement -- a practice now prohibited by OBRA 93.

Louisiana's Legislative Fiscal Office (LFO) has proposed an alternative solution to the Medicaid financing problems that would reduce State health care spending by \$375 million and reduce other State budgets by \$375 million to help finance the State's Medicaid program. The LFO notes in their report to the State Legislature that in SFY 1993, the State faced a \$625 million shortfall that the Legislature addressed by reducing funding to nonessential services and using "all available funding." According to the LFO, the State generated a \$100 million surplus in SFY 1993.

Louisiana's Proposal

To address the financing problem, the State submitted an 1115 demonstration waiver proposal to HCFA. The initial proposal would hold the State harmless for the loss resulting from the DSH reduction over the 5-year duration of the waiver while restructuring the State's health care delivery system for the poor. The State hoped the Secretary would waive the Federal statute governing the State's normal matching rate of 28 percent -- the resulting shortfall would be made up gradually over the 5-year period of the waiver. (The Secretary of Health and Human Services explained to the Governor of Louisiana that this could not be done under the law.)

Last week, officials from the State met with the HCFA Administrator to present revisions to their 1115 demonstration waiver proposal. The State is still proposing to restructure the public health care delivery system, but using a public managed care organization (rather than private ones throughout the State). The State acknowledges that revenues will have to be increased and believes that efficiencies can be attained to achieve savings in the Medicaid program. However, the State has not yet submitted detailed information about the financing of the waiver.

Options

With the State's coming modification of the waiver proposal, it is not clear whether the State still is requesting extra Federal assistance in addressing the upcoming shortfall. If it were, the State could adopt any of the following options using different combinations and varying levels of reductions in Medicaid spending, revenue increases, budget reductions in other areas of the State budget, and/or loans.

1. **Louisiana increases State revenue.** Louisiana can raise taxes to maintain the state match at a level that supports the current Medicaid program. This would require \$700 - \$800 million in new revenue. Were Louisiana to raise its taxes to 100 percent of capacity (that is, to the average percentage of taxes levied nationwide), the State could generate an additional \$833 million.
2. **Louisiana reduces benefits/ provider rates.** Louisiana could drop coverage of optional services and coverage of the Medically Needy population. While total

SFY 1995 expenditures were \$4 billion, a "bare bones" Medicaid package would cost about \$2.7 billion for SFY 1996. Such a program would require elimination of services such as prescription drugs, payments to facilities serving the mentally retarded population, and the home and community-based waiver programs. However, this "bare bones" proposal would still require the state provide \$740 million in matching funds -- an increase of \$450 million compared to the current State general fund appropriation level.

3. **Provide loans or loan guarantees to Louisiana or to the Health Care Authority.** This option would give the State some time to resolve its serious financing problems without putting the Medicaid program or health care for the uninsured in immediate jeopardy. A loan from the Federal government is an imposition on the Federal treasury, but still imposes the burden of maintaining a \$4 billion per year Medicaid program and repaying the loans on the State.

DSH to pay this all surplus to S (not just M)

Table 1. Louisiana Medicaid Financing (in millions)

	SFY 90	SFY 91	SFY 92	SFY 93	SFY 94	SFY 95
General Fund Appropriation	\$322.2	\$367.1	\$379.5	\$295.0	\$362.1	\$287.6
Overcollection	\$34.2	\$ 75.6	\$253.9	\$459.3	\$764.7	\$746.2
Federal Match	\$960.7	\$1,360.6	\$2,245.0	\$2,819.2	\$3,348.2	\$2,963.1
Other*	\$2.2	\$ 3.4	\$ 31.3	\$166.6	\$71.5	\$69.9
Total	\$1,319.4	\$1,806.6	\$2,909.9	\$3,740.3	\$4,548.3	\$4,066.8
State Match Percent**	25.52	24.56	26.29	26.51	27.35	28.11
General Fund Percent of Total Medicaid	24.4	20.3	13.0	7.8	7.9	7.0
General Fund Percent of Total Available State Revenues	7.6	9.1	8.6	6.7	7.8	6.0

*Other includes "self-generated funds" and "statutory dedications." The latter describes revenues collected through provider taxes.

** Federal fiscal year

↓

Table 2. Louisiana DSH (in millions)

	SFY 94	SFY 95	SFY 96
Total	\$1,810.0 _(a)	\$1,264.1 _(a)	\$692.0 _(d)
Public Providers			
Allocated	\$1,448.3	\$1,081.0 _(b)	\$575.0
Appropriated	\$401.0	\$575.0	\$575.0
Overcollection	\$819.0 _(c)	\$799.0 _(c)	\$0
Private Providers	\$361.7	\$183.0	\$125.0

(a) According to State, amounts over cap are due to settlements, adjustments, claims payments on state fiscal year vs. Federal fiscal year basis.

(b) Based on pending DHS State plan amendment for FY 1995

(c) Total \$1,102.4 million available in FY 94; \$293 million was not expended and carried over to supplement FY 95 overcollections.

(d) Projected

JUN 7 1995

THE WHITE HOUSE
WASHINGTON

June 5, 1995

Ms. Phyllis Landrieu
Advantage
4600 Venus Street
New Orleans, LA 70122

Dear Phyllis:

Your fax to President Clinton concerning the Louisiana Medicaid Waiver Application was received and noted. The President is aware of your information, as is Carol Rasco, Assistant to the President for Domestic Policy.

As you know, this is a very difficult and complicated matter, and we appreciate very much your constructive role in trying to achieve an appropriate resolution.

Personally,


Mack McLarty

cc: Carol Rasco

Consulting

Public Relations

Marketing

Carol
Tracy
Wendy

PLEASE DELIVER THIS URGENT MESSAGE AT ONCE

TO HONORABLE WILLIAM J. CLINTON
FROM PHYLLIS LANDRIEU, NEW ORLEANS

DATE JUNE 2, 1995

SUBJECT: REQUEST CONCERNING THE VISIT TODAY WITH
GOVERNOR EDWIN EDWARDS AND THE LOUISIANA MEDICAID
WAIVER APPLICATION

Advantage

I have been informed that you are meeting today with Governor Edwin Edwards. In light of this meeting, I would appreciate this opportunity to review with you the status of Louisiana's Medicaid waiver process. Please be aware of the following:

1. There is a 1915B waiver application being developed through the joint efforts of state legislators, health care providers, and the managed care industry. This application has received almost unanimous approval of the Louisiana House of Representatives.
2. Drafters of the 1915B waiver have met with HCFA and have another meeting scheduled today, June 2, in Washington. They hope to iron out final objections HCFA may have with the 1915B, and then submit it to the Legislature for final approval before it adjourns on June 19. As mentioned before, the House has already approved the plan.
3. There is very strong opposition to the public MCO concept which is the basis for the 1115 waiver application.
4. While the Governor may be honorable in his efforts to solve the Medicaid dilemma, he should give HCFA a chance to review the 1915B, as it will cost the state hundreds of millions of dollars less than the 1115.
5. The State has been aware of this Medicaid problem for three years. Why would we rush now to approve a plan that is opposed and unworkable.

We appreciate the efforts your staff and representatives of HCFA have put forth to help Louisiana resolve our Medicaid dilemma, and thank you sincerely for your time and attention.

Phyllis Landrieu

4600 Venus Street

New Orleans, LA 70122

504 286-0935

FAX 504 282-5437

24 7:
Louisiana MAW

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

05-Jun-1995 04:01pm

Caron

Encouraging

TO: (See Below)

FROM: Diana M. Fortuna
Domestic Policy Council

M-f

~~For the file~~

SUBJECT: Secy. Shalala conversation with Gov. Edwards of Louisiana

Secretary Shalala had a phone conversation with Governor Edwards this afternoon about his pending Medicaid waiver request. It's possible that the Governor will talk to the press this afternoon about the conversation.

I understand from John Monahan that she clearly laid out that they are willing to help, but that his current waiver proposal does not meet the test of budget neutrality, and that he must modify it. He asked whether it was fair to say that the waiver as submitted can't be approved. She agreed (there really is no other answer) but reiterated her willingness to work with him on changes.

Gov. Edwards asked whether she would consider a short-run plan that would get them through 6-9 months (and the end of his term). She said yes, as long as it met the budget neutrality test.

(A technical point: the state alleged during the call that they had not previously been aware that all the DSH spending that will become illegal on July 1 can not be counted in the baseline going forward for budget neutrality purposes. This is a rather basic point -- the basis for the whole problem. It seems unlikely they had never understood it before, so they were probably posturing here.)

Anyway, they don't know how Edwards might portray this to the press. The fear is that he could always try to spin it as a "feds say drop dead" story, but the hope is that his talk of 6-9 months means that he is working on another alternative and will be more positive. And supposedly Shalala did her best to say we want to work with him.

Distribution:

Consulting
Public Relations
Marketing

Louisiana MA W
OLD

PLEASE DELIVER THIS URGENT MESSAGE AT ONCE

TO HONORABLE WILLIAM J. CLINTON
FROM PHYLLIS LANDRIEU, NEW ORLEANS
DATE JUNE 2, 1995

Advantage

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GOVERNOR EDWIN EDWARDS AND THE LOUISIANA MEDICAID
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We appreciate the efforts your staff and representatives of HCFA have put forth to help Louisiana resolve our Medicaid dilemma, and thank you sincerely for your time and attention.

Phyllis Landrieu
4600 Venus Street
New Orleans, LA 70122
504 286-0935
FAX 504 282-5437

Cover plus 1 page

Louisiana
MA n

6/2

TO: Carol Rasco
FR: Diana Fortuna

Attached FYI is a fax I was cc'd on from Phyllis Landrieu to the President.

Carol - Phyllis Landrieu just sent me the attached revised version that has an interesting sentence added.

I heard that Gov. Edwards spoke up today.

-Diana

Consulting

Public Relations

Marketing

PLEASE DELIVER THIS URGENT MESSAGE AT ONCE

TO HONORABLE WILLIAM J. CLINTON
FROM PHYLLIS LANDRIEU, NEW ORLEANS
DATE JUNE 2, 1995

Advantage

**SUBJECT: REQUEST CONCERNING THE VISIT TODAY WITH
GOVERNOR EDWIN EDWARDS AND THE LOUISIANA MEDICAID
WAIVER APPLICATION**

I have been informed that you are meeting today with Governor Edwin Edwards. In light of this meeting, I would appreciate this opportunity to review with you the status of Louisiana's Medicaid waiver process. Please be aware of the following:

1. There is a 1915B waiver application being developed through the joint efforts of state legislators, health care providers, and the managed care industry. This application has received almost unanimous approval of the Louisiana House of Representatives.
2. Drafters of the 1915B waiver have met with HCFA and have another meeting scheduled today, June 2, in Washington. They hope to iron out final objections HCFA may have with the 1915B, and then submit it to the Legislature for final approval before it adjourns on June 19. As mentioned before, the House has already approved the plan.
3. There is very strong opposition to the public PMCO concept which is the basis for the 1115 waiver application. If the PMCO is removed, and other minor modifications made, it could receive support. NEW ←
4. While the Governor may be honorable in his efforts to solve the Medicaid dilemma, he should give HCFA a chance to review the 1915B, as it will cost the state hundreds of millions of dollars less than the 1115.
5. The State has been aware of this Medicaid problem for three years. Why would we rush now to approve a plan that is opposed and unworkable.

We appreciate the efforts your staff and representatives of HCFA have put forth to help Louisiana resolve our Medicaid dilemma, and thank you sincerely for your time and attention.

Phyllis Landrieu

4600 Venus Street

New Orleans, LA 70122

504 286-0935

FAX 504 282-5437

03-22-95 12:53PM

TO 96905672

P002/006

*Copy to Pat Wondra
Bruce Vladeck*

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BC-LA--Medicaid-Lawmakers-List, ORS,700<

With PM-LA--Medicaid-Lawmakers<

cl724kp<

By The Associated Press

A list of Louisiana legislators who have received grants,
contracts, salaries or Medicaid payments from the state
Department of Health and Hospitals, according to The
Times-Picayune newspaper:<

Sen. Larry S. Bankston, D-Port Hudson. Listed as legal agent
for \$43,800 DHH contract awarded to a family company in 1990.

Sen. Greg Barro, D-Shreveport. Corporate counsel for
Fairfield Hospital, a psychiatric facility owned by his brother
and cousin. About half its patients are on Medicaid.

Rep. Sherman Copelin, D-New Orleans. Co-owner of EST Inc.,
which operates New Orleans-area group homes. It received \$1.6
million in Medicaid in 1993-94. In previous years he co-owned a
drug treatment facility that received millions of dollars in
Medicaid payments. He was named in a lawsuit as part-owner of
an ambulance company that receives Medicaid, but denies
involvement. At a House meeting, he said he was involved in a
nursing home that receives Medicaid money.

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PRESS RETURN TO CONTINUE OR ENTER A REQUEST.■

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Rep. Israel Curtis, D-Alexandria. His former legislative aide runs Rapides Primary Health Care Clinic, which received a \$150,000 DHH grant in 1993.

Rep. Sydnie Mae Durand, D-St. Martinville. Listed on state records as a board member of Louisiana Rural Health Care Services Inc., which received a \$150,000 DHH grant in 1992. Denies involvement with the board.

Rep. Noble Ellington, D-Winnsboro. His son owns Southern Oaks Nursing Home, which received over \$1.5 million in Medicaid payments since 1993.

Sen. Don Hines, D-Bunkie. He is the medical director of Bunkie General Hospital's rural health care clinic, which treats Medicaid patients. Has received over \$175,000 in Medicaid payments as a physician since 1992.

Sen. Gerry Hinton, R-Slidell, Chairman of Senate Committee on Health and Welfare. Received \$9,584 in Medicaid payments as a chiropractor since 1992.

Rep. Willie Hunter Jr., D-Monroe. His wife is a \$3,902-a-month employee of the DHH's Office of Mental Health.

Rep. Raymond Hunter, D-Baton Rouge. Family foundation received \$235,660 in DHH contracts for drug abuse prevention in

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1993-94.

PRESS RETURN TO CONTINUE OR ENTER A REQUEST.■

Sen. Jon Johnson, D-New Orleans. Board member of New Orleans Health Corp., which runs low-income health clinics. It received \$300,000 in DHH grants since 1992, and received a third of its revenue from Medicaid in the 1992-93 fiscal year.

Sen. Charles Jones, D-Monroe. Two companies headquartered in his office the Council on Black Economic Development and La. Health Consultants received two DHH grants totaling \$500,000 since 1992.

Rep. Charles Lancaster, R-Metairie. He and his wife are part-owners of Metro Home Health Care Inc., which received \$97,700 in Medicaid payments in 1993-94. He serves as legal agent for the company; his in-laws run it and two other home health agencies.

Sen. Joe McPherson, D-Woodworth. Owns half of Camellia Gardens-Pineville Manor Nursing Home, which received over \$2.5 million in Medicaid payments since 1993.

Rep. Frank Patti, D-Belle Chasse. Received \$20,000 a year for DHH office space in a building he half-owns.

Rep. Charles A. Riddle, D-Marksville. His wife received \$4,443 in salary for work with DHH in 1994.

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P005/006

Rep. Willie Singleton, D-Shreveport. Part owner of Amalgam Hospital, a psychiatric facility that received \$2.7 million in PRESS RETURN TO CONTINUE OR ENTER A REQUEST.■

◆■

Medicaid payments since 1993. Also received a \$385,000 DHH grant.

Rep. John R. Smith, D-Leesville. Received \$10,800 per year in DHH payments from 1991-94 for apartments he co-owns. He and his wife are listed as owners of Visions Community Home in Leesville, recently approved for Medicaid involvement.

Rep. Steven Theriot, D-Marrero. Had ownership interest in Orleans Regional Hospital in Algiers, which has since been passed to his son. The hospital has received \$3.3 million in Medicaid payments since opening in 1993.

Rep. Jerry Thomas, D-Bogalusa, chairman of House Health and Welfare Committee. As a physician, received \$102,104 for Medicaid and other state health payments in 1994. His proposed health care clinic, Rural Health of America Inc., has received two DHH grants worth \$346,000.

Former Rep. Joe Delpit, D-Baton Rouge, left the House in 1992. Part owner of Hillhaven Nursing Homes, two facilities that received \$2.5 million in Medicaid payments in 1993-94.

Former Rep. Alphonse Jackson Jr., D-Shreveport, left the

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House in 1992. Until 1993, was part owner of Highland Hills
Hospital in Shreveport, which received \$280,000 in Medicaid
payments in 1992-93.

PRESS RETURN TO CONTINUE OR ENTER A REQUEST.■

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PLEASE ENTER A REQUEST.■

◆

3/29/95

THE ADVOCATE

BATON ROUGE, LA.

METRO/STATE

B
SECTION

Grand jury gets DHH documents

By MARINA SHULER
Capitol news bureau

The Department of Health and Hospitals delivered thousands of records on the state's health-care program for the poor to the federal court house Wednesday in response to a grand jury subpoena.

DHH officials and U.S. Attorney L.J. Hymel's office declined comment on the subpoena. It requested records of activities in recent years when the Medicaid budget skyrocketed from \$1 billion to \$4 billion.

Gov. Edwin Edwards' executive counsel, Connie Koury, said the administration was aware of the subpoena, which kept DHH personnel busy for weeks copying documents.

"The department did comply and intends to continue complying with future requests, if necessary," Koury said. "It's a search through the records. I'm not sure what they

wanted."

The subpoena reportedly sought records related to specific companies and people affiliated with the companies — many of them the subjects of news reports about questionable Medicaid spending in recent months.

Hymel said earlier that a task force of federal and state officials was investigating health-care fraud. He said a number of investigations were ongoing.

Hymel's top assistant, Brian Jackson, said he could not discuss grand jury activities.

DHH Secretary Ron Forrest issued a statement saying attorneys advised her not to comment.

The state's Medicaid program has come under growing scrutiny in recent months, partly because of a funding crisis and revelations that the politically well-connected, including former Lt. Gov. Bobby Ryman, House Speaker Pro-tem Sherman Delpin and state Sen. Charles D. Jones

were making lots of money from the program.

The increase in Medicaid spending occurred because the state received extra federal money to compensate for having a high number of poor residents. The state then used that extra money as its matching funds to attract even more federal money to further expand Medicaid.

The expansion occurred with little oversight and few controls against fraud and abuse.

Hymel has said health care fraud is a top target of the U.S. Justice Department and U.S. Attorney General Janet Reno.

The Edwards administration and the Legislature are trying to cover a \$740 million state health-care funding deficit because the extra federal money will be gone July 1.

The \$760 million attracts \$2.25 billion in federal funds and the two combined represent \$3 billion of the state's \$4 billion Medicaid program.



"We have violated no laws, state or federal," he said during a news conference at his attorney's law office in Washington. That strike's conviction has nothing to do with the case. See **STRIKE**, Page 2A



Associated Press photo

Thursday pack Paris St. Lazare train station platform while one commuter walks on. Workers began a strike Wednesday night ahead of a major transportation strike, which shut down subways across France. Only one in four trains ran on major lines Thursday, and quiet.

Grand jury sets probe on 29 in health program

By MARINA SKULLEN
Capitol news bureau

A federal grand jury is investigating 29 individuals and firms involved in the state's health-care program for the poor, including ex-Department of Health and Hospitals chief Chris Pilley and his top aide.

A federal subpoena seeking detailed records from DHH from Jan. 1, 1990, to the present indicates the probe is focused on the health-care dealings of the politically well-connected that have sparked controversy in recent months.

Among the records sought by the subpoena were those relating to DHH dealings with House Speaker Pro-tem Sherman Coates, D-New Orleans; Sen. Charles D. Jones, D-Monroe; and Rep. Willie Hunter, D-Monroe.

Also sought are records on DHH dealings with an adolescent psychiatric hospital tied to Rep. Willie Singleton, D-Shreveport; former Lt. Gov. Bobby Freeman, now a Plaquemine city judge; Iberville Parish Coroner James Freeman; and health-care facility owner John Gun Jr. and facilities he owns with the Freemans, including Caring Inc.

The subpoena also sought detailed information on the activities of Pilley and Robin Huma, a former top aide to Pilley who is now a confidential assistant to DHH Secretary Rose Forrest.

Among the items sought were all payments made to them, all records of any communications with or by Pilley or Huma regarding health-care grants or programs, and all personnel files and travel records related to them.

In addition, the subpoenas sought all records kept by Huma on "any rural health program or grant and all records regarding the formation of a managed care program by the Louisiana Department of Health and Hospitals, or any other department or agency of the state of Louisiana."

Some of the records sought involve individuals and agencies that received grants under the rural health-care program, including some members of the Rural Health Care Authority.

Huma has helped DHH plan a health-care delivery system for the state that would replace Medicaid. Pilley, now a health-care consultant, is working under contract for the House to provide

See **HEALTH**, Page 2A

Gay policy ruled illegal

short of Orwellian" because it equates sexual orientation with misconduct.

"To presume from a person's status that he or she will commit undesirable acts is an extreme measure," he wrote. "Hitler taught the world what could happen when the government began to target people not for what they had done but because of their status."

Lawyers for the plaintiffs welcomed the ruling but cautioned that it doesn't prevent the Pentagon from taking action against other gays.

"We don't want people to read the paper and think they can come out tomorrow," said Beatrice Dohrn, legal director of the

Lambda Legal Defense and Education Fund, which helped represent the plaintiffs.

Justice Department spokesman Carl Stern said the government will appeal.

"We believe the challenged policy is constitutional and we remain committed to defending it," he said.

Under the "don't ask, don't tell, don't pursue" policy, gays can serve as long as they keep their sexual orientation to themselves and do not engage in homosexual acts.

Otherwise, they can be honorably dis-

See **POLICY**, Page 2A

ear firms' arguments clusion on tax rolls

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Health

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Medicaid program advice.

Pilley and Hum did not return phone messages left for them Thursday.

The subpoenaed information, which filled boxes, was turned over to a federal grand jury Wednesday by Forrest.

Neither Forrest nor U.S. Attorney L.J. Hymel's office would discuss the subpoena. Hymel has said in the past that his office is investigating allegations of fraud in health care.

Most of those named in the subpoena expressed surprise Thursday at the move and said they were unaware of the grand jury activity.

"I haven't been contacted," Copelin said. "But whatever records they want, they can have. I don't have a clue (what they are investigating)."

Copelin said he has nothing to hide and no one has found any wrongdoing during many investigations of his activities.

"I welcome it," said Copelin, who has made a lot of money from his part ownership of a New Orleans adolescent treatment facility. He now owns group homes.

Hunter said he knows nothing about the subpoena, which also seeks information about his wife, Gloria, who is a nurse.

"I can assure you of one thing: It is probably happenstance my name is in it," Hunter said. "It's a travesty my wife's name is in it."

Hunter is a lawyer who has been involved in a rural health initiative in northeast Louisiana headed by Jones. Hunter's wife is a member of the Rural Health Care Authority.

Jones could not be reached for comment.

The subpoena also seeks information about a Jones aide, Martha Tribble, and several organizations Jones heads.

They include the Delta Economic Energy District, Good Deed Mobile Clinic, Health Consultant Inc., Northeast Louisiana Council on Black Economic Development, and the Northeast Louisiana Economic Development District.

The Freemans and Gum were unavailable for comment. However, attorney Karl Koch responded on their behalf and on behalf of Caring, Inc. in which they are principals.

"No one has been in contact with us," Koch said. "They did not know their names were even in it."

Koch said Caring operations have been in the news a lot because of

the large sums of money made by the facility's owners.

"No one ever did anything illegal," Koch said. "We think we did a doggone good job of providing services and we did it in a legally correct manner."

Koch said neither the company nor its officials had anything to do with setting the amounts that were paid for the services.

Koch said Caring was one of 33 adolescent psychiatric programs that all were paid the same amount.

The subpoena also sought records related to other facilities tied to the Freemans, including Riverwest Hospital, Plaquemine Caring, LLC, Caring for Kids Inc., and Catahoula Caring Center, LLC.

Also turned over to the grand jury were records involving Amalgam Hospital, an adolescent psychiatric hospital in Pleasant Hill.

Singleton recently disclosed that he made \$302,000 last year as an attorney and employee of the facility.

Hospital administrator Marie Fuller said she was aware of recent criticism about the facility but did not know about the grand jury activity.

"I can't comment until I really know what's going on," Fuller said. "We are coming up to election and people are shaking a lot of bushes."

Documents related to the following individuals and groups also were subpoenaed:

- Joe Soileau, administrator of South Cameron Memorial Hospital in Cameron, which recently received funds for a mobile health clinic. Soileau is an officer on the Rural Health Care Authority. He did not return a phone message.

- Willie Vabrie, administrator of Natchitoches Outpatient Medical Center. The center recently received several rural health grants for primary care clinics.

Vabrie is also on the Rural Health Care Authority and is its immediate past chairman. He did not return a phone message.

- Dr. Fred Willis with L.S. Suckaby Memorial Hospital in Coushatta. Willis was reportedly off and not available for comment.

- Empire Management Corp. and Dr. Maximilian Odom, which are involved in a plan to open a rural health clinic in Tenet Parish.

- Dorothy Lewis Med-Ned Services, and J.R.J. Services, LLC.

Court

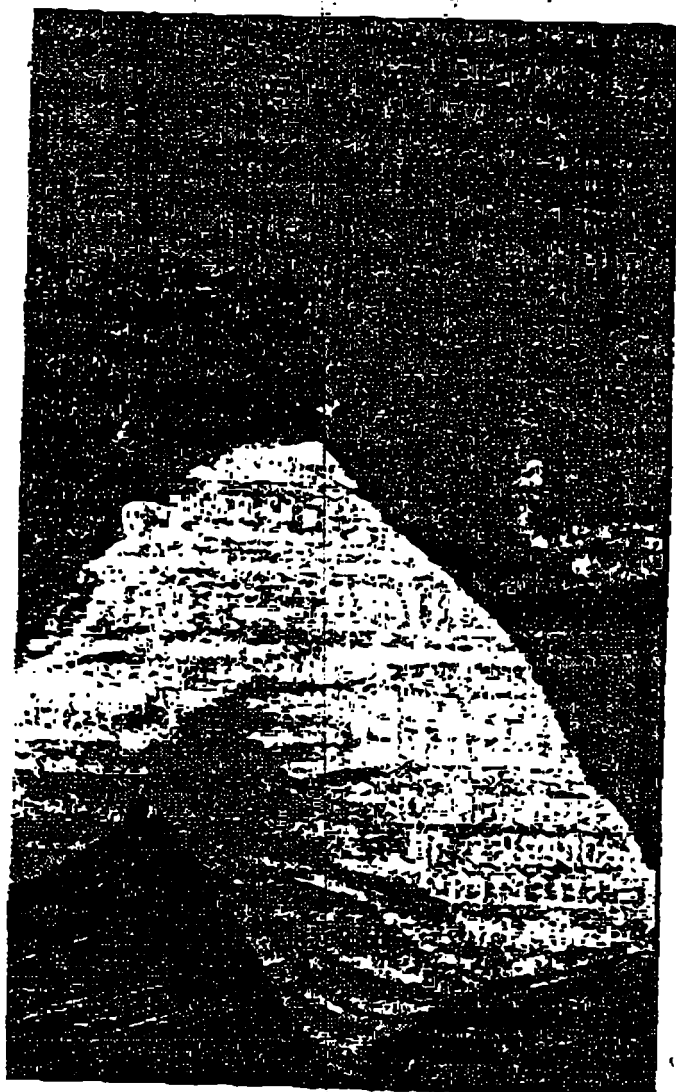
CONTINUED FROM PAGE 1A

going to work there, but only nine people out of Geismar work in those plants."

The group working to incorporate,

St. Gabriel residents voted to create the town in July

TOTAL P.04



Associated Press photo

by Martin Murphy, left, Thursday in court in Cambridge, Mass., 1994, fatal arson fire in Lowell that killed two young brothers.

sign the contract and never turned the \$150,000 over to Builders and Contractors.

As part of the reinsurance contract with Builders and Contractors, O'Keefe was to hold money to pay off the malpractice claims, and \$10 million was transferred into a trust account controlled by O'Keefe, the grand jury said.

The defendants obtained control of over \$10,000,000 of Physicians National's assets under the pretext of arranging for continued malpractice insurance coverage to protect Physicians National's physicians when in fact they diverted over \$7,500,000 to themselves personally and companies controlled by them," the indictment reads.

Some physicians were forced to

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P.2

Copy to Pat GSK
Burr Skelton

WEDNESDAY, MARCH 22, 1995 THE TIMES-PICAYUNE

John Monahan
Pg. 1 of 4

→ Jennifer ✓
Joanne

Have you seen?

B

THE MEDICARE ADVISOR

For those with clout

WASHINGTON — The federal government is pouring more than \$4 billion in aid into Louisiana's health care system in the past five years.

In some cases, lawmakers are voting for bills setting aside money for grants to states, such as the ADAMS health insurance program. These provisions are often attached with the legislation, making it difficult to track the money.

Legislators in Louisiana were warned, leaving the door open for the legislature's critics to continue receiving state money, and money on file at the Department of Health and Hospitals.

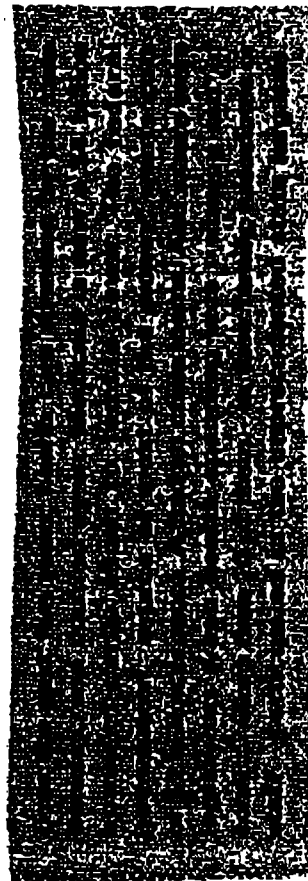
The legislature involved are among the most powerful in Baton Rouge, including the president pro tem of the House, the chairman of the House health committee, and the chairman of the Senate health committee. Both committee chairmen have direct oversight over DHE and Medicaid, the health care program for the poor.

Now, the windfall of federal health care dollars to Louisiana — money that was quickly absorbed by the state's Medicaid program — is about to be sharply curtailed by Washington, putting the state at the brink of a fiscal crisis.

Several lawmakers said Louisiana's legislators didn't question the rapid influx in federal cash, or whether it might be cut off. Neither they nor the administration put in place adequate oversight measures to police the expanding program, lawmakers said.

During the past several years, legislators merely rubber-stamped the spending increases, seeing the

See MEDICAID, A-11



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P.3

for the state from the federal government. For example, at one point DEH asked the Legislature's Joint Committee on the Budget for a budget amendment of \$1.1 billion.

"It was approved — without any debate or vote of the full Legislature," said state Rep. David Vitter, R-Metairie.

For the past several months, state officials have been scrambling to avoid a fiscal disaster, the threat of which could be felt by every citizen who relies on such state services as health care, education and public safety.

It's partly up to the Legislature to determine just how the crisis will be solved. And because of that, the issue of legislators or their family members making money from Medicaid has taken center stage.

Jack Finn, president of the Metropolitan Hospital Council of New Orleans, said lobbyists have told him they can influence votes of up to a third of the Legislature because of members' ownership of Medicaid facilities.

Some of the ownership is open, some hidden, Finn said.

Hearing those rumors, state Rep. Melissa Flournoy, D-Shreveport, demanded last week that a DEH official compile a list of all legislators or their immediate family members who have interests in any entities that receive Medicaid money. Secretary of Health and Hospitals Rose Jarrrett said Tuesday that her staff was working on the list, and that part of the search could be finished by today.

Flournoy thinks legislators should be banned from receiving any state money, a position echoed by a few of her colleagues. Rep. C.C. Simpkins, D-Shreveport, is a dentist who says he doesn't take Medicaid money because he sees it as a conflict of interest.

"I don't believe in mixing it up at all," Simpkins said. "I'm glad they asked for the list, because I've had serious questions about why we've cut back and retained this program going on. I've been talking hell about it, but nobody wants to tell me anything."

Medicaid cash flow

The money involved comes in many forms — direct Medicaid payments, special health department grants, no-bid professional services contracts — but it all flows from the mammoth state health budget. Since 1989, the budget for DEH has gone from less than \$1 billion to more than \$4 billion, making it the largest slice of the state's \$11 billion budget.

Most of DEH's budget is spent on the Medicaid program. Most Medicaid dollars originally come from the federal government and then are handed out by the state. For the most part, the payments go to private entities — some 30,000 doctors, hospitals, nonprofit clinics, pharmacies, transportation companies and other providers of health services statewide.

Among the legislators who have directly profited from Medicaid is Sherman Copelin,

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Page 2

Medicaid

WEDNESDAY, MARCH 22, 1995 THE TIMES-PICAYUNE

D-New Orleans, speaker pro tem of the House of Representatives and a close ally of Gov. Edwards.

Copelin was part-owner of Reality Drug Treatment Center, a company that received millions of Medicaid dollars for treating patients at two local hospitals. The company benefited from changes in the state's Medicaid rules, as it qualified for the "disproportionate share" payments that paid hospitals 100 percent or 80 percent of their costs for treating low-income people.

Reality was investigated in 1993 for violating federal Medicaid rules and eventually paid a \$1 million fine to settle the matter.

The probe of Reality Treatment has heretofore been the only high-profile case in which a legislator's involvement with a Medicaid-supported health care provider has been scrutinized.

But state records show that Reality isn't the only Medicaid venture through which Copelin benefited from changes in the state's Medicaid rules.

And state records show that Copelin is only one of many legislators with ties to businesses or nonprofit foundations that have received state health money. Some of these legislators came into the industry only recently as the flow of money changed; others are the result of longstanding relationships with the health care field.

Changing, bending rules

In 1993, the secretary of the DEH passed an "emergency rule" declaring the state's intent to switch some of its mentally retarded individuals from group homes run by the state to privately owned group homes. The state asked for proposals from companies interested in running such homes, which generally have six beds and serve as the full-time residence for adults and juveniles in the state's care. Medicaid pays the patients' bills.

Through a competitive bidding process, BSI Inc., which state records show is partly owned by Copelin, subsequently was awarded the con-

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homes, one in Orleans Parish and one in St. Bernard Parish.

That brought to six the number of group homes owned by EST. Already, EST operated four group homes — all in New Orleans — which brought to \$1.6 million in Medicaid payments for the 1993-94 fiscal year. Of that, \$978,000 was profit, according to the company's financial statements.

In 1994, Copelin personally was paid \$104,000 in income from EST, according to a report he filed with the House.

The company's original four homes haven't been without problems, however. The Curran Boulevard Community Home in eastern New Orleans was cited last year for deficiencies that presented an "immediate and serious threat to the health and safety" of the clients. The company was cited after a client was burned by 183-degree water in the home's bathtub. The home is supposed to make sure water doesn't get above 110 degrees, a state report showed.

The company also was found to be deficient because of a lack of staff evaluations and for changing its masterly retained clients for cable TV even though four of them weren't able to watch cable TV in their rooms. Lloyd Villavaso, one of the company owners, said the problems were quickly corrected and were simply staff oversight.

Further, two of the original EST group homes were approved only after state officials waived a law dealing with the location of new group homes. The Salem Drive Community Home, 7178 Salem Drive, and Arcadia Lane Community Home, 7177 Arcadia Lane, both sit within 1,000 feet of other group homes. When the homes applied for state approval in 1989, an official recommended that they they be rejected because state law says no two group homes can be within 1,000 feet of each other, according to a DHEH memo.

Villavaso said the state gave the homes a waiver from the law because the owners didn't realize another home was within 1,000 feet until after they had spent a substantial amount of start-up money.

Copelin said he plays no role in the day-to-day operations of EST, and that he had no input on the emergency rule that led to his company's most recent acquisitions.

Grant raises questions

In the spring of 1993, a package of bills that made state health money available for rural health care operations and sickle cell anemia research passed the Legislature, sponsored by Sen. Charles Jones, D-Memphis.

A few months later, a group tied to Jones delivered a proposal to Forrest, the DHEH secretary, asking for \$300,000 to study rural health issues. The proposal was in the name of Louisiana Health Consultants Inc., with headquarters at Jones' Memphis office. The project listed Jones as its executive director, set to make \$60,000.

But the DHEH official in charge of the grant process balked, writing in a memo that to award money to a group listing Jones as its director "seemed to me a conflict of interest because of legislation that was passed in the 1992 Regular Legislative Session."

The official complained in her boss, "who assured me that Sen. Forrest was aware of all the implications of making this award and that the award of \$300,000 was to be processed," she wrote.

In the end, although the grant did go to the company headquartered at Jones' office, a revised budget was submitted listing somebody else as executive director, today, that man, Tillman Brown, said he never worked in the job or received \$60,000. Jones wouldn't be reached for comment.

Forrest defended the grant as providing valuable information on rural health issues.

Lawmakers' links

There were other cases where groups with ties to lawmakers received state grants.

On Sept. 30, 1994, a grant to help pay for a rural health clinic headed by Rep. Jerry Thomas, D-Bogalusa, was submitted on behalf of Rural Health of America Inc. by Chris

Medicaid:

From Page 1

MEMPHIS V. MARCH 22, 1995 THE TIMES-PICAYUNE

See MEDICAID, A-12

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WEDNESDAY, MARCH 22, 1995 THE TIMES-PICAYUNE

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THE MEDICAID MESS

Medicaid

From previous page

Piley, the outgoing DHH secretary.

The grant was questioned by the same DHH official who raised a red flag on the application from Jones' group. She wrote in a memo that Thomas, chairman of the House Health and Welfare Committee, has "direct oversight over rules that are published in the La. Register and Rep. Thomas would have direct knowledge of the funding for this program. Rep. Thomas was also involved in voting for Act 510, the legislation creating the Community-based and rural Health Care Fund."

After a meeting between Thomas and DHH officials, Furrall agreed to allocate money for the grant, worth \$198,980.

Thomas' health clinic got another grant that year, worth \$180,000. In the grant application, Thomas, a doctor, said he planned to name himself as medical director of the clinic, with a salary of \$100,000, and his wife, Lou Ann, as clinic manager, with a salary of \$48,000. In addition to the grant money, the clinic planned to take in the bulk of its money from Medicaid and the treatment of the rural poor.

Although the grant originally projected that the clinic would open in mid-1994, Thomas said Tuesday that it is still five months from completion. He said it is unclear whether he will assume the job as medical director; he said his wife won't take the job as clinic manager. A rural health care clinic serving Rep. Sydney Mae Durand, D-St. Martinville, as a board member received a \$150,000 DHH grant in 1993. The clinic, in Breau, Bridge, spent \$38,000 on construction, \$47,000 on equipment, and \$64,000 on salaries. It was supposed to attract \$250,000 in patient revenue its first year, mostly by way of Medicaid, but instead it only received \$6,896, according to its financial statements. The clinic closed in December 1994.

Today, Durand said she

played no part in the clinic's operation and didn't consent to have her name used on the application.

The New Orleans Health Corp., which lists Sen. Jon Johnson, D-New Orleans, as an unpaid board member and Johnson's former legislative assistant as finance director, has received \$350,000 in DHH grants since 1993, helping it pay for a Medicaid-supported clinic.

It appears the Health Corp. received the grants without going through the competitive process. Each grant proposal is supposed to be graded on a scale of 1 to 100; top scores receive the grants.

Although Furrall said grants must go through the competitive process, there is no documentation in the Health Corp.'s files indicating it did so. Johnson said Tuesday that although he wholeheartedly supports the foundation's work, he doesn't recall having an "extensive conversation" about the grants with DHH officials. Furrall said she was unsure why there wasn't scoring information in the program's files.

McPherson makes a call

In another case, a legislator went directly to a ranking state official on behalf of his own Medicaid-backed health care venture.

Sen. Joe McPherson, D-Woodworth, is a key legislative player on Medicaid issues who today is in Washington, D.C., helping represent the state in its Medicaid negotiations with the federal government. He also co-owns a nursing home, which, like most nursing homes, gets the lion's share of its revenue from Medicaid.

His nursing home, in Pineville, received \$1.7 million in Medicaid payments during the 1993-94 fiscal year.

As one time last year, the nursing home was cited for several deficiencies, including filthy rooms and poor staff training. But instead of citing the home for more serious Level A violations, as recommended by a state inspector, "an administrative decision was made to forgo the adverse action and write the deficiencies as Level B instead of Level A because

assurances had been made to the department that the problems would be corrected, according to a DHH memo.

According to former DHH Deputy Secretary John Furrall, those assurances were made by McPherson.

"He phoned me about it," said Furrall, who retired from the department last year. "Basically, he was assuring the department that changes were quickly being made, that they were already in progress."

Furrall said he took calls from Medicaid providers every day, many of whom had questions about surveys or rules. And while he said he never was everly pressured to make a decision by a legislator, he often found it difficult to deal with situations in which providers were also the legislators who oversaw his department.

"I can't speak for the department, but I can tell you that when I was there it was very difficult when a provider was also an elected official," he said.

"I would be difficult to keep the rules straight. We talk to providers every day, but seldom talk to senators."

McPherson said the inspector who cited his nursing home as being in violation did so out of personal animosity toward him and that the criticism wasn't warranted.

It wasn't the only time McPherson contacted high-ranking DHH officials about his nursing home.

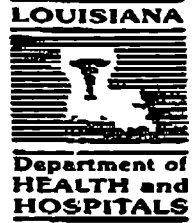
In 1993, faced with a \$1,000 bill for curtains the nursing home had to buy, McPherson sent a "Dear Chair" letter to the secretary of DHH. In a letter signed "Joe McPherson, Senator, District 29," the legislator asked the secretary of DHH if the state couldn't foot the bill for the curtains.

In response, Piley said his department didn't have the authority to pay for the curtains. But Piley added that when he drafted the budget for the following year, he would ask that the state start to pay for such curtains.



Edwin W. Edwards
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Rose V. Forrest
SECRETARY

August 4, 1995

The Honorable Donna E. Shalala
Secretary
Department of Health and Human Services
200 Independence Avenue
Washington, D.C. 20201

Copies to Donna Fortner +
Emily Bronberg

Dear Secretary Shalala:

This is to request that the Department of Health and Human Services suspend review activities on the Louisiana 1115 Medicaid Waiver application at this time.

As we know, both the initial application filed December 31, 1994 and the amendment submitted April 11, 1995 included unacceptable funding proposals. In addition, our state legislature enacted legislation during its recent session which will require further revisions to the application.

After a conference call with Mr. Bruce Vladeck and other Health Care Financing Administration staff, I have decided to proceed with implementing voluntary enrollment of Medicaid eligibles into HMOs at this time through a Title XIX State Plan amendment. We are reviewing the original 1115 Waiver application and will submit amendments to reflect legislative intent. Mr. Vladeck has committed technical assistance to us in this regard.

Thank you, Mr. Vladeck and your staff who continue to work with us as we move toward our goal of implementing Medicaid managed care and expanding coverage to the extent fiscally possible.

Sincerely,

Fr Rose V. Forrest
Secretary

RVF:fdh

cc: Governor Edwin W. Edwards
Bruce Vladeck
Steve McAdoo

Louisiana Medicaid Waiver

Consulting

Public Relations

Marketing

Advantage

June 27, 1995

*cc Carol
Teremy
Emily Bromberg
From Diana*

William J. Clinton
The President
The White House
Washington, D.C. 20500

Dear Mr. President,

I want to thank you for your recent attention, and that of members of your administration, to Louisiana's Medicaid waiver process. In particular, we appreciated the expeditious manner in which Secretary Shalala, Mr. Mack McLarty, Domestic Policy Office Senior Analyst Mrs. Diana Fortuna, and HCFA Administrator Bruce Vladick responded. They provided the opportunity for meaningful alternatives to be considered by the Louisiana Legislature, and funding sources to be found that allow a reasonable solution to the state's Medicaid crisis.

As an outcome, Louisiana health care dollars will be spent more effectively, sparing taxpayers the burden of additional taxes. Louisiana's poor will receive better and more convenient services, and the provider industry will be assured a reasonable compensation. That was good work, and we thank you.

Before the Legislature adjourned, it adopted a budget that assures the continuation of the Medicaid program, and opened the door for a provider managed care plan to be adopted. Hopefully, the present administration will apply for such a waiver, and HCFA will approve it in a timely manner that will allow this plan to be implemented as soon as possible. We intend to continue to work to accomplish that goal.

Phyllis Landrieu
4600 Venus Street
New Orleans, LA 70122
504 286-0935
FAX 504 282-5437

William J. Clinton
The President
Page Two

Advantage

An added accomplishment was the unprecedented role the state's provider industry played in the process. Led by TENET Healthcare Corporation (whom I represent), for the first time in our state, providers were at the table with government initiating alternatives, convincing legislators to consent, and working together to achieve solutions. There is much still to be done, and quite frankly, the process is not quite as coordinated as it should be, but it is a start.

TENET intends to continue to use our resources to further this movement, and even bring it to a national level. It is time for industry to become an equal participant in solving the health care problems in this country. Hopefully, Louisiana's healthcare industry will be national leaders in achieving this goal. We will keep you informed of our progress.

Again, thank you for your interest and that of the other participants in your administration.

Sincerely,



Phyllis Landrieu

copy:

The Honorable Donna Shalala
Secretary
Department of Health & Human Services

The Honorable Thomas J. (Mack) McLarty
Special Assistant
Office of the President

✓ Mrs. Diana Fortuna
Senior Political Analyst
Domestic Policy Office

Bruce C. Vladick, Ph.D.
Administrator for
Health Care Financing Administration

The Honorable J. Bennett Johnston
U.S. Senate

The Honorable John Breaux
U.S. Senate

The Honorable Mary Landrieu
Treasurer, State of Louisiana

Louisiana MA W PAGE 2

1ST STORY of Level 1 printed in FULL format.

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BNA HEALTH CARE DAILY

June 9, 1995

LENGTH: 1043 words

BODY:

Medicaid

LA. GOVERNOR APPEALS TO PRESIDENT
FOR WAIVER APPROVAL; PREPARES FOR CUTS

NEW ORLEANS (BNA) -- With strong signals coming out of Washington that federal Medicaid officials will not approve the financing portion of Louisiana's waiver request, Gov. Edwin Edwards (D) is appealing to President Clinton for help as he prepares to slash an additional \$1.5 billion from the program.

The Medicaid spending cuts, which Edwards spelled out June 8 to the Legislature's Senate Finance Committee, are designed to keep the system solvent through the end of the year while the state and officials from the Health Care Financing Administration (HCFA) try to work out a deal to finance the governor's Medicaid request.

Edwards wants to move half a million Medicaid recipients into a state-run managed care organization that would also provide care for the uninsured indigent. HCFA officials have indicated they like the managed care idea but have problems with the way Edwards seeks to finance part of the state's 28 percent Medicaid match (3 HCPR 875, 5/29/95).

Financing Plan Still At Issue

Edwards has asked HCFA to recognize some \$391 million in "profits" expected to be generated by the Louisiana Health Care Authority (LHCA) by billing the state and federal government more money--about \$50 a patient per month--than the actual cost of treatment.

Commissioner of Administration Raymond Laborde told BNA that the federal government should not deny the state's Medicaid waiver request based on the financing portion, especially if they like the idea of managed care. The reason, according to Laborde, is that it is the state's responsibility to come up with the \$391 million if, as HCFA fears, there would be a shortfall.

"If we thought we could generate the money, they should let us try," Laborde said. "If we fail, we (still) have to generate it" or lose federal matching funds. He noted that Edwards talked about the financing with Department of Health and Human Services Secretary Donna E. Shalala when he was in Washington June 2 for a Southern Governors meeting.

"She told us (the waiver request) was not revenue-neutral," Laborde said. "That's wrong." He added that Shalala also said she "has no problem with" the managed care concept as proposed by Edwards.

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Edwards Requests Meeting

Edwards made the same point in a June 7 letter to Clinton. "If private HMOs can generate a profit, a public HMO should be allowed to do so as long as it provides quality, accessible care," Edwards wrote in his letter to Clinton. He has asked Clinton to re-assess the Medicaid waiver, saying that if the federal government denies Louisiana's request, it will plunge the state into fiscal chaos that would "threaten the survival of Louisiana's safety-net public hospital system and bankrupt many small, private hospitals in this state."

Edwards has asked for a meeting with Clinton, Shalala, HCFA Administrator Bruce Vladeck, and other federal officials. There has been no response from the White House.

Additional Medicaid Cutbacks

In his June 8 appearance before the Senate Finance Committee, Edwards proposed scaling back the Medicaid program from \$4.3 billion to around \$2.1 billion. The cuts would incorporate some \$561 million in Medicaid reductions Edwards proposed in his March budget. In addition, Edwards is proposing to close rural hospitals and to make deep cutbacks in spending on "optional" Medicaid services such as chiropractic and psychiatric care. The state's share of the additional cutbacks would amount to around \$300 million, according to an administration official, who spoke on condition of anonymity.

Cutbacks Or Tax Increase?

Edwards is asking the Legislature to either cut \$300 million in state payments or approve a \$300 million tax increase, which lawmakers say they are unwilling to do in an election year. Administration officials predict as many as 100,000 health-related jobs may be lost as a result of the cutbacks.

If the Legislature goes along with Edwards' request for a \$2.1 billion Medicaid program, spending would be brought back to its 1992 level. Spending on Medicaid in Louisiana has grown four-fold since Edwards took office. Even with the cutbacks, the administration official said, the Medicaid program likely would run out of money in late February, about a month after Edwards leaves office.

Deep Rift Between Edwards, Legislators

Edwards' handling of the Medicaid waiver has caused a deep rift between him and the Legislature, which has opposed the plan from the outset. The House in May voted unanimously to get behind a competing plan that would give private-sector health maintenance organizations the lead in providing care for Medicaid recipients. The state's health system could compete with the private sector, but LHCA would be disbanded and its functions handed over to Louisiana State University, whose board of regents recently indicated it did not want the responsibility.

The Senate Health and Welfare Committee concurred with the House measure June 7 and voted 4-3 to send the bill to the floor. The only difference between the Senate panel's plan and the House-passed version is that, while still disbanding LHCA, responsibilities for operating the charity hospital

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system would be shifted to the Department of Health and Hospitals instead of LSU, which doesn't want them. Edwards indicated through aides he would veto the bill.

Lawmakers also are angry with Edwards for not formally submitting their Medicaid plan to HCFA to see if it would pass muster. State lawmakers met recently with HCFA officials to discuss the plan, which would cut Medicaid to \$3.2 billion and finance a portion of it through a \$201 million annual provider tax to create an assurance pool to protect beneficiaries. By law, HCFA is precluded from considering any waiver request that does not come directly from the state executive branch. Laborde told BNA the administration has "no intention at this time" of forwarding the legislative plan to HCFA.

LANGUAGE: ENGLISH

2ND STORY of Level 1 printed in FULL format.

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The Advocate

June 8, 1995 Thursday METRO EDITION

SECTION: NEWS; Pg. 2B

LENGTH: 952 words

HEADLINE: Clinton's help asked on health-care crisis

BYLINE: MARSHA SHULER, CAPITOL NEWS BUREAU

BODY:

Gov. Edwin Edwards on Wednesday sought President Clinton's help in resurrecting a plan to solve the state's health-care financing crisis, saying federal officials who rejected the plan don't understand it.

As he took the step, Edwards prepared to go today before the Senate Finance Committee to release about \$ 1 billion in Medicaid budget cuts that would still leave the state with only enough money to run its health-care program for the poor until February.

Meanwhile, a Senate panel on Wednesday decided to keep alive an alternative being pushed by key House leaders for solving the Medicaid funding crisis.

But, even proponents of the alternative admitted all the kinks have not been worked out, and Edwards previously had dismissed the alternative as unworkable.

The developments came as the Edwards administration and Legislature continue to wrestle with a deficit in state funding in the Medicaid program during a legislative session that is fast approaching a June 19 end.

Edwards sought a meeting with Clinton and federal and state health-care officials who have been dealing with the plan.

"Mr. President, the time is growing short; the crisis is increasing. Please help the people of this state avert a most critical fiscal, health, economic and political crisis," Edwards wrote. "Please meet with us so that with your help we can bring this situation under control. "

Edwards said U.S. Department of Health and Human Services officials have said they cannot approve the state's plan because "it appears the state of Louisiana cannot hold up its end of the deal. "

Edwards said he thinks there has been "a gross misunderstanding" of the state's proposed Medicaid plan by federal officials.

Under the administration plan, the state would operate a health insurance program the federal government would subsidize. The subsidy

The Advocate, June 8, 1995, Thursday

would allow the state to make a \$ 391 million profit, which would be used to attract federal funds. The profit would generate the extra money needed so the state can operate a \$ 3.1 billion Medicaid program.

The proposed public health maintenance organization, which would be based on the state's charity hospital system, would compete with private HMOs for Medicaid patients, but have a lock on all eligible uninsured citizens.

The state's current program is \$ 4.3 billion, and the administration will propose about \$ 1 billion in cuts. Absent federal approval of the state plan there will be a \$ 2.1 billion program, and Edwards has said he will spend the money until it runs out, then leave the problem to his successor.

Edwards said the state plan is no different than that approved by federal officials in other states which allow private HMOs to keep any profits generated.

Edwards said U.S. Health Secretary Donna Shalala "apparently objects to the state's public managed care organization generating a profit. In Arizona in 1994, private HMOs generated a profit of \$ 50 million while 25 percent of the state's poor citizens went without health care. "

"If private HMOs can generate a profit, a public HMO should be allowed to do so as long as it provides quality, accessible care.

Ours will," Edwards said.

Edwards said even if the public HMO doesn't generate the projected profit, the state is committed to paying its required federal match.

Shalala and her staff have said the state is not meeting its financial commitment with the plan and instead is relying on the federal government for extra help in the way of subsidy to the public HMO. In addition, they contend the state plan is too expensive to meet the cost saving goals of the Clinton administration.

Also Wednesday, the Senate Insurance Committee voted 3-2 to send an alternative Medicaid funding plan to the full Senate for debate.

Under that plan, private HMOs would provide health care coverage for Medicaid patients. HB1179 would provide the mechanism to generate \$ 250 million through creation of an association that would levy assessments on HMOs. The assessments would be used as state matching funds for federal dollars to finish closing the Medicaid funding gap.

Sens. John Guidry, D-Baton Rouge, and John Hainkel, R-New Orleans, expressed strong reservations about the plan - particularly its lack of detail.

In addition, the Louisiana Managed Healthcare Association called the legislation "a good faith effort" but said it needs a lot of work. The association suggested a 90-day study period to see if a

The Advocate, June 8, 1995, Thursday

workable program can be developed.

"It does not appear that at this time there is sufficient financial capacity inside the HMO industry in Louisiana to advance funding of the shortfall," LMHA spokesman Mike Manus read from a prepared position statement.

Lobbyist E.L. "Bubba" Henry said the three HMOs he represents - Oschner's, Gulf South and Aetna - oppose the legislation as it is written today. "This is a tax bill," Henry said. "It's a \$ 250-million tax on the folks that have a commercial business right now. "

House Speaker Pro-tem Sherman Copelin, D-New Orleans, and House Appropriations chairman Rep. Elias "Bo" Ackal, D-New Iberia, urged the panel to keep the option alive in the hopes that problems could be worked out.

"We have got to have something," Ackal said. "There never was a Plan B (for solving the Medicaid problem). "

"If we don't do something to solve this problem, a lot of us will be gone," said committee chairman Sen. Greg Tarver, D-Shreveport.

Voting to send the measure to the Senate floor were Sens. James David Cain, D-Dry Creek; Donald Cravins, D-Lafayette; and Ron Bean, R-Shreveport. Voting against the move were Guidry and Hainkel.

LOAD-DATE: June 08, 1995

3RD STORY of Level 1 printed in FULL format.

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The Times-Picayune

June 8, 1995 Thursday, THIRD

SECTION: NATIONAL; Pg. A3

LENGTH: 887 words

HEADLINE: EDWARDS ASKS TO SEE CLINTON;
MEDICAID DISASTER LOOMING

BYLINE: By PAMELA COYLE Capital bureau

DATELINE: BATON ROUGE

BODY:

Gov. Edwards issued a plea Wednesday to President Clinton for help to avert an acute "fiscal, health, economic and political" disaster in Louisiana brought on by severe shortfalls in Medicaid money.

Edwards asked to meet with Clinton and aides to discuss federal officials' objections to the state's proposal for a large, profit-generating public health maintenance organization.

The Health Care Financing Administration this week told state officials it didn't think the money side of the plan as presented would work.

Meanwhile, the governor put off until today an announcement of massive cuts to the state Medicaid program. The cuts will cost 100,000 jobs and slash health care services to the poor, he predicted.

Edwards said he will proceed with a legislative plan that cuts Medicaid spending from \$4.3 billion this year to \$2.1 billion next year - about the same level as 1991 - because he has no guarantee the federal government will approve Louisiana's plan.

The impending chaos will "threaten the survival of Louisiana's safety-net public hospital system and bankrupt many small private hospitals in this state," Edwards told Clinton in a letter.

His call for help came as the Legislature tackled the looming crisis in other ways Wednesday.

An alternative plan the House approved unanimously to turn Medicaid over to private HMOs cleared the Senate Insurance Committee and now goes to the floor. Edwards has maintained that program is not an option, but a broad coalition of liberal and conservative lawmakers supports it.

In separate but related action, a plan to return the charity hospital system to the state Department of Health and Hospitals and abolish the Louisiana Health Care Authority that now runs it narrowly cleared the Senate Health and Welfare Committee.

The Times-Picayune, June 8, 1995

The House bill by Rep. Elias "Bo" Ackal, D-New Iberia, originally shifted the charity system over to Louisiana State University. But LSU's Board of Supervisors said late last week it does not want the responsibility under the current circumstances.

Amid the flurry of activity, top Edwards administration officials stressed they continue to negotiate with HCFA over the financial aspects of a waiver the state seeks to overhaul the program from one in which private doctors are reimbursed for treating Medicaid patients to a system of HMOs that can better control costs.

Health and Hospitals Secretary Rose Forrest said Louisiana and the rest of the nation will have to move to a managed care system for Medicaid.

"The format of the waiver is the subject of debate," she said. "As we are trying to work with HCFA, let us be of one accord."

But a large number of legislators and the Edwards administration remain at odds.

The Edwards plan would allow Medicaid patients to pick between some private HMOs and a huge public HMO that uses the charity system as its base. Hundreds of thousands of so-called "working poor" who do not qualify for Medicaid but cannot afford private insurance would have to use the public HMO.

The plan assumes the public HMO will make a \$391 million profit, which Louisiana could use to generate enough federal matching money to keep the whole package afloat.

"If private HMOs can generate a profit, a public HMO should be allowed to do so as long as it provides quality, accessible care," Edwards wrote to Clinton.

That figure troubles skeptical federal officials and some legislators.

"I know it is a bogus figure and you know it is a bogus figure," Sen. Donald Hines, D-Bunkie, told Forrest. "So let's forget about it."

But even if the public HMO did not generate the profits projected, Edwards wrote Clinton, Louisiana would come up with its share needed to attract the federal money.

That means more than \$300 million in cuts to nonmedical programs, a special session to raise more than \$300 million in new taxes, or a combination of both.

Under the plan pushed by House leaders, private HMOs would pitch in about \$250 million to guarantee the program's solvency and to assure their rights to compete for Medicaid patients. The state then would use that money to attract \$500 million in federal matching money to help finance the charity hospital system.

Some have suggested the competing plans have made it difficult for federal officials to pinpoint Louisiana's official position. But U.S. Rep. Bob Livingston, R-Metairie, chairman of the House Appropriations Committee, said he hoped HCFA's rejection of the plan submitted will allow other approaches to be considered.

The Times-Picayune, June 8, 1995

"If the administration will be open to all plans, I hope that we'll find a solution in the very near future," he said.

Without a new system in place, sweeping Medicaid program cuts will take effect July 1, and there will be enough money to finance the program only until Feb. 1.

Under the worst-case scenario, spending will roll back to pre-1992 levels. Medicaid spending mushroomed from \$1.1 billion in 1989 to \$4.5 billion in 1994, in large part because the state was receiving so much extra federal money through a program Congress cut back more than two years ago.

The Legislature also went on record Wednesday saying it wants to approve any plan before it is implemented, with a bill requiring it have the final say clearing both the Senate and the House.

GRAPHIC: GOV. EDWARDS - Massive Medicaid spending cuts PHOTO

LANGUAGE: ENGLISH

LOAD-DATE: June 9, 1995

~~Johnny~~ 4/21
DIANA
~~to John?~~

PLS call ~~RE~~
Ms. Landrieu and
let Mac know
when done Thanks.

THE WHITE HOUSE
WASHINGTON

APR 21 1995

OFFICE OF MACK McLARTY
COUNSELOR TO THE PRESIDENT

Fax Transmittal Sheet

TO: ROS MILLER

Fax Number: 62878

Phone Number:

FROM: PATTY McHUGH

SUBJECT:

DATE: 5/21/95

NUMBER OF PAGES (including cover sheet): 2

MESSAGE: MACK WOULD LIKE THE PROPER
PERSON ON CAROL'S STAFF TO BE
IN TOUCH W/ MS. LANDRIEU RE THIS
MATTER & TO LET MACK KNOW WHEN THIS HAS
BEEN DONE.

If all pages are not received, please call (202) 456-2000

THANKS,
Patty McHugh

The document accompanying this facsimile transmittal sheet is intended only for the use of the individual or entity to whom it is addressed. This message contains information which may be privileged, confidential or exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any disclosure, dissemination, copying, or distribution, or the taking of any action in reliance on the contents of this communication is strictly prohibited.

Consulting
Public Relations
Marketing

Mack - Do You Know Her?
SISTER OF FORMER MAYOR.

TO MACK MCLARTY, THE WHITE HOUSE
FROM PHYLLIS LANDRIEU
DATE APRIL 17
SUBJECT REQUEST FOR ASSISTANCE

C. A. J. -

5/1/95

Advantage

REPRESENTATIVES OF THE FEDERATION OF LOUISIANA HOSPITALS ARE QUITE CONCERNED THAT THE WHITE HOUSE IS COMMITTED TO SUPPORT THE PRESENT 1115 MEDICAID WAIVER APPLICATION BEING PRESENTED BY THE STATE.

THEIR CONCERNS: THE \$50 MILLION PLUS COST OF ADMINISTERING THE PLAN IS EXCESSIVE AND UNNECESSARY. MANAGED CARE PROVIDERS IN LOUISIANA HAVE THE CAPACITY TO IMPLEMENT A COMPETITIVE MANAGED CARE PLAN WITH NO COST TO THE STATE.

THE STATE'S PLAN WILL EXACERBATE THE ALREADY OUT-OF-CONTROL INCREASED DEMAND FOR MEDICAID. THERE IS NO PROCEDURE NOR INCENTIVE TO MAKE THOSE WHO CAN AFFORD TO PAY FOR THEIR SERVICES DO SO. INSTEAD, THE OPPOSITE INCENTIVE IS BUILT IN-- TO ENCOURAGE THE WORKING POOR AND EMPLOYERS TO "DUMP" INTO THE MEDICAID PLAN.

IN GENERAL, THE FINANCIAL BURDEN OF THE PLAN WILL BANKRUPT THE STATE.

THE FEDERATION HAS HIRED LEWIN-VHI, INC., A WASHINGTON BASED EXPERT IN MEDICAID, TO DRAFT A 1915 WAIVER ALTERNATIVE FOR THE STATE.

REPRESENTATIVES OF THE FEDERATION ARE MEETING WITH THE GOVERNOR AND LEGISLATURE THIS WEEK TO PRESENT THEIR ALTERNATIVE, IN THE HOPES OF SLOWING THE PROCESS TO GIVE THE STATE TIME TO CONSIDER THIS PRIVATE SECTOR ALTERNATIVE. APRIL 26-28 THEY WILL PRESENT THE ALTERNATIVE PLAN TO THE LOUISIANA CONGRESSIONAL DELEGATION.

IF THE PRESIDENT IS INTENT ON HCFA APPROVING THE PRESENT DISASTROUS PLAN, IT WOULD BE VERY UNPOPULAR IN LOUISIANA.

I AM ASKING YOU TO DISCUSS WITH HIM OUR CONCERNS, AND TRY TO GIVE THE PROVIDERS A CHANCE TO PRESENT THEIR PLAN.

I WOULD APPRECIATE BEING ABLE TO DISCUSS THIS MATTER WITH YOU BY PHONE OR IN PERSON, OR WITH ANY OTHER APPROPRIATE PERSON YOU RECOMMEND. I WILL ALSO TRY TO CONTACT SECRETARY SHALALA.

Phyllis Landrieu

4600 Venus Street

New Orleans, LA 70122

504 286-0935

FAX 504 282-3437

I AM LOOKING FORWARD TO YOUR RESPONSE.
THANK YOU VERY MUCH.

Louisiana Medicaid

EXECUTIVE OFFICE OF THE PRESIDENT

24-Apr-1995 12:40pm

TO: Patricia A. McHugh
FROM: Diana M. Fortuna
Domestic Policy Council
CC: Jeremy D. Benami
SUBJECT: Call to Phyllis Landrieu

At your request, I called Phyllis Landrieu to talk about her concerns about the Louisiana Medicaid waiver. (You forwarded to Roz Miller the note she wrote to Mr. McLarty.) I told her that HHS is evaluating the waiver and that there have been no commitments made to approve the Governor's proposal at this time. She is going to follow up by sending me some material, and I am going to get her an update on its status at HHS.

Please call me with any questions.

many may think she's gone down

Phyllis is a good Democrat.

Waf

Louisiana Medicaid

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

28-Mar-1995 07:21pm

TO: Carol H. Rasco
FROM: Diana M. Fortuna
Domestic Policy Council
CC: Jeremy D. Benami
SUBJECT: Meeting on Louisiana

I just attended an update on the Louisiana situation that was convened by Jack Lew of OMB. (HHS made sure I was included.) Here's where we are.

You probably recall that Louisiana is \$500-700 million short on their state share of Medicaid because the disproportionate share schemes they had been using to generate most of the state share are now illegal. If they can't come up with any of this, the current \$4 billion Medicaid program would go down to \$1.2 billion.

Originally the Secretary talked about a task force to include finance experts. That got sidetracked because Louisiana submitted a waiver to HCFA to "solve" the problem. The first draft, submitted in January, asked HCFA to waive the statutory matching formula (around 75/25 in La's case). HCFA said no, and the state went back to the drawing board.

The details of their new proposal have been outlined only orally to HCFA so far. Paper is expected in the next week or two. Louisiana does appear to have found \$100-300 million in legitimate state cash to help solve the problem. For the balance of the money, it appears that they are advocating converting to managed care, and then paying public providers so much that they earn a profit. The state would then use this profit as state match. This plan bears a resemblance to the old DSH funding scheme. And there are always precedent issues to consider. I will report more as I learn about it.

If the waiver route can't solve most or all of the problem, the original route of offering the state some kind of financing help will again be a possibility.

It isn't clear to me why Jack Lew and OMB are so much more involved in this waiver than they usually are. I think it's because Ed DeSeve of OMB would be part of any broader financing initiative, but I'm not sure.

Finally, you had told me that we should keep Mack McLarty informed on developments on this issue. Do you think we have enough to tell him now, or shall we wait till we know a bit more? (I had put a short paragraph in last week's Weekly Report on this.)

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

29-Mar-1995 09:59pm

TO: Diana M. Fortuna

FROM: Carol H. Rasco
 Economic and Domestic Policy

CC: Jeremy D. Benami

SUBJECT: RE: Meeting on Louisiana

Unless Mack contacts you I think we can just wait and I can brief him in a few words next week in a morning meeting....I would almost bet he is going with the President's full trip. THanks for the update!

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

29-Mar-1995 11:32am

TO: Diana M. Fortuna

FROM: Jeremy D. Benami
 Domestic Policy Council

CC: Carol H. Rasco

SUBJECT: RE: Meeting on Louisiana

On the La. thing, does Jack know that if he has any other meetings on this, you need to be included?

Also, on Mack, my advice would be to do a quick note to him letting him know where things stand. If the process is starting to slip or show signs of not working for Louisiana, he will be the first to hear about it and should be forewarnded. Let's see what Carol has to say.

MEDICAID: CONGRESS INTERVENES ON BEHALF OF TWO STATES

Separate provisions that would expand two states' access to federal Medicaid funds were attached last month to a stopgap spending bill funding nine federal agencies through 9/30, WASH. POST reports. One amendment, sponsored by Senate Majority Leader Bob Dole (KS), would require that the Department of Health and Human Services give New Hampshire \$46 million in "disputed" matching funds, despite the fact that the department has deemed the state "ineligible for the money." The other provision, sponsored by House Appropriations Committee Chair Bob Livingston (LA), would guarantee Louisiana \$2.6 billion annually in federal funds regardless of whether the state "comes up with" the 28% matching share required by law.

THE CRICKET AND THE ANT: Louisiana and New Hampshire face Medicaid funding crises resulting from their failure to accommodate a 1993 federal law that prohibited states from making excessive "disproportionate share" payments to hospitals in order to collect larger Medicaid reimbursements. POST reports that "no states were exploiting [the practice] more aggressively" than Louisiana and New Hampshire. Using the disproportionate share scheme, former New Hampshire Gov. Judd Gregg (R), now a U.S. senator, was able to "close a yawning hole in his budget without raising taxes." Louisiana was able to increase its share of federal Medicaid dollars from less than \$1 billion in 1988 to over \$3 billion in 1993.

CAJUN CONCERNS: Louisiana Health and Hospitals Secretary Bobby Jindal noted that without the Livingston-backed provision, the state would qualify for \$2.6 billion in 1996, but would then be faced with a "precipitous" decline in federal funds in following years. Sen. John Breaux (D-LA) said that without the amendment, the state would lose \$1.2 billion in federal funds "in 1997 alone." Under Livingston's amendment, Louisiana would be guaranteed \$2.6 billion in federal Medicaid funds "while it gradually raised" its matching contribution by the year 2000. The Congressional Budget Office estimated that the Louisiana amendment would cost the federal Medicaid program an additional \$300 million per year between 1997 and 1999. However, Breaux "hinted" that the cost could even be higher.

NOT TIME AT ALL: Saying that the New Hampshire and Louisiana changes "were crucial to state fiscal planning," Dole Chief of Staff Sheila Burke said, "We would have preferred to do this in the context of Medicaid (reform). However, states were trying to close out their 1995-96 books. It was time-sensitive."

ALL POLITICS IS MEDICAID: POST notes that the Dole-sponsored provision on behalf of New Hampshire "would come to the aid" of Gov. Steve Merrill (R), chair of Dole's presidential campaign. The newspaper also reports that Medicaid funding "was one of the issues discussed" when Dole met with Texas Gov. George W. Bush (R) last month; Bush later endorsed Dole's presidential bid. Burke noted that Dole had also introduced the amendment that benefited New Hampshire on behalf of his home state -- Kansas.

FOOT IN THE DOOR: Congressional aides noted that the provisions benefiting New Hampshire and Louisiana could result in a "stampede by other states seeking similar concessions." HCFA "determined" last week that New Jersey, Minnesota, Illinois and the District of Columbia may qualify for the New Hampshire amendment, resulting in \$75.8 million in additional claims for federal funds (Morgan, 4/8).