HEALTH CARE IN NEW ORLEANS:

PROGRESS AND REMAINING CHALLENGES

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Before the U.S. House of Representatives
Committee on Oversight and Government Reform

"Post-Katrina Recovery: Restoring Health Care in the New Orleans Region"
December 3, 2009

Introduction

Mr. Chairman and members of the Committee, I want to thank you for the opportunity to testify today on the progress and challenges that remain in addressing the health care needs in New Orleans in the aftermath of Hurricane Katrina and the devastating levee breaches that followed in its wake. I am Diane Rowland, Executive Vice President of the Henry J. Kaiser Family Foundation and Executive Director of the Kaiser Commission on Medicaid and the Uninsured. From 2004 to 2006, I served as a member of Louisiana's Health Care Reform Task Force that endeavored to develop a plan for improving health and long-term care services in Louisiana.

I am pleased the Committee recognizes the importance of continuing to monitor the restoration and development of health care services and is examining the efforts and progress made in rebuilding health care coverage and capacity in New Orleans. I am honored to participate in this hearing today with so many local leaders and health care providers who have worked tirelessly to provide and improve health care services in Louisiana since Katrina struck and New Orleans flooded in 2005.

The devastation in the wake of Katrina left New Orleans with a challenged population and a crippled health care system needing broad scale reform. Post-Katrina, to assist the people of New Orleans and its health care system in their rebuilding efforts, the Kaiser Family Foundation has tried to use its resources to give voice to the concerns and needs of the people of New Orleans, to keep attention on the recovery efforts, and to raise national awareness. We have monitored the progress and challenges that remain for the people of New Orleans as they continue to recover and rebuild after Katrina, including a series of surveys of adult residents of New Orleans one year and three years later to determine how the storm has impacted their lives – from their financial and employment situations to their access to needed health care. The third survey of this series will be fielded in early spring of next year in order to determine the progress that has been made as well as the challenges that remain for the residents of New Orleans five years after the storm.

My comments today will draw on our studies and analysis of health care in Louisiana before and after Katrina to provide an overview of the health care system in New Orleans, assess the impact of the steps taken immediately after the storm to address the population's

needs, and offer some perspectives on the progress and the remaining challenges of continuing to recover and rebuild the health care system in New Orleans.

Health Care in Louisiana Pre-Katrina

Hurricane Katrina devastated a health care system that was already straining to provide necessary health services to its population. Louisiana is one of the nation's poorest states and ranks near the bottom of all 50 states on most measures of the health of its residents. When the storm struck in 2005, Louisiana had high rates of chronic diseases and ranked among the worst in the nation for infant mortality, AIDS cases, and diabetes mortality (Figure 1). Nearly one in four (23%) Louisiana residents lived in families with incomes below the federal poverty level ($16,600 for a family of 3 in 2006), including nearly a third of Louisiana's children (Figure 2).

Prior to the storm, over 20% of individuals in each of the Greater New Orleans parishes (Orleans, Jefferson, Plaquemines, and St. Bernard Parishes) lacked health insurance. The people of Greater New Orleans, particularly the low-income uninsured (the majority of whom came from working families), faced many challenges in accessing necessary healthcare services (both physical and behavioral). Partly due to deeply rooted cultural norms and Louisiana's unique system of state-run public hospitals for the poor and uninsured, the low-income uninsured tended to rely on emergency departments and hospital clinics as a regular source of ambulatory care. Nearly ninety percent of the healthcare delivered to the uninsured in the Greater New Orleans area was delivered by the state-run public hospital, Medical Center of Louisiana at New Orleans (MCLNO), which consisted of two hospitals on the MCLNO campus, Charity and University Hospitals.

Together, Charity and University Hospitals served a largely poor, uninsured, and African-American population and accounted for 83% of inpatient and 88% of outpatient uncompensated care costs in the New Orleans area in 2003.[1] It was also the dominant provider of psychiatric, substance abuse, and HIV/AIDS care in the region, and housed the lion's share of the region's inpatient mental health beds with nearly 100 mental health beds and a 40-bed crisis intervention

[1] Rudowitz, R., Rowland, D. and A. Shartzer, "Health Care in New Orleans Before and After Hurricane Katrina," Health Affairs, August 29, 2006.

unit. Further, Charity Hospital was home to the Gulf Coast's only Level One trauma center and the busiest emergency department in the city, and served as the major teaching hospital for both the Tulane and LSU medical schools.

With only two federally qualified community health centers in the New Orleans area, a lack of private providers willing to treat the uninsured, and the state's use of Medicaid disproportionate share hospital (DSH) funds to finance inpatient and outpatient care primarily at the state-run hospitals, the clinics at Charity Hospital were a dominant source of ambulatory care for the low-income largely uninsured population, providing 350,000 outpatient visits and operating more than 150 primary and specialty care clinics.[2] Charity Hospital was the mainstay of health care for the poor. Yet, despite this substantial role, Charity Hospital was severely strained and faced shrinking public resources, a high burden of uncompensated care, and a lack of capital to make much-needed infrastructure improvements; the public hospital system and care for the poor was in need of much reform and improved financing even before Katrina.

The two-tiered and institutionally-based system of providing care to the uninsured in Louisiana was largely driven by the way in which it was financed. Medicaid represented not only a system of health care coverage for low-income people in Louisiana but also a mechanism of financing health care for the uninsured. Louisiana was a major user of Medicaid DSH funding; in 2005, Louisiana's $1 billion in DSH funds accounted for nearly 20% of all Medicaid spending in the state (compared with about 6% nationwide).[3] DSH payments are made by a state's Medicaid program to hospitals that the state designates as serving a "disproportionate share" of low-income or uninsured patients. These payments are in addition to the regular payments such hospitals receive for providing inpatient care to Medicaid beneficiaries. In Louisiana, the state channeled most of its Medicaid DSH payments to the LSU system to finance care for the uninsured. Louisiana's use of Medicaid DSH funds in this way created a dependence on institutional hospital care for the poor, rather than outpatient or ambulatory care settings, because states generate DSH dollars through inpatient use.

[2] Ibid.
[3] Ibid.

Katrina's Devastation

As we all know, the damage wrought by Hurricane Katrina and the levee breeches on Louisiana was staggering—over 1,400 lives lost and 900,000 people displaced, 18,750 businesses destroyed, over 200,000 homes damaged or destroyed, and over 220,000 jobs lost.[4] The immediate impact of Katrina on the health system was the destruction of health care services in New Orleans as hospitals flooded and patients were evacuated. Most notable among the irreparably damaged facilities was Charity Hospital, the primary source of care for the low-income uninsured, as well as the closure of University Hospital. In the weeks and months that ensued, the area's community hospitals, several community safety net clinics (some of which were part of the landscape prior to Katrina as well as some that had been established in direct response to the urgent needs post-Katrina), and doctors in private practice attempted to fill the void.

By the time of the our first Kaiser Family Foundation survey in the fall of 2006, MCLNO's Charity and University Hospitals remained closed, with former hospital staff providing limited urgent care services out of a converted Lord and Taylor department store in downtown New Orleans and a trauma center in rented hospital space in Jefferson Parish. With the monolithic Charity Hospital building out of service and a severely reduced medical workforce, only 48 percent of the 4,083 pre-storm hospital beds were staffed within the region. Consequently, for specialty and inpatient services, the uninsured were most often forced to travel to public hospitals located in Houma, Baton Rouge, or further out of the Region or state.

A related and critical situation up to and during the time the survey was a severe lack of inpatient mental health services. With MCLNO's 120 pre-storm inpatient mental health and medical detoxification beds not operational, a mere 190 of the region's 462 pre-storm mental health beds were in service. This led to local emergency departments clogged with acutely mentally ill individuals waiting for days on end for availability of inpatient beds or transfer to other areas of the state for treatment.

The destruction of the health care system in New Orleans and the displacement of hundreds of thousands of individuals made it extremely difficult for people to obtain health care after the storm. The Kaiser Family Foundation conducted a series of structured interviews with

[4] Louisiana Recovery Authority, "Hurricane Katrina Anniversary Data for Louisiana," August 2006.

Katrina survivors living in New Orleans, Baton Rouge, and Houston about six months after the storm to learn more about their health care experiences following the storm.[5] These interviews revealed that although survivors often experienced health problems before Katrina, they were now facing even more daunting challenges in obtaining needed health care. Despite suffering emotional and mental trauma from the storm, with many experiencing anxiety, depression, and trouble sleeping and eating, almost none had received formal counseling services for themselves or their children.

Rebuilding After Katrina

The health challenges for coverage and access to care for the poor and uninsured long pre-dated Katrina's devastation, but the impact of the hurricane and the subsequent flooding further compromised their access to care and also affected the health services available to all New Orleans residents. Rebuilding health care capacity has been a critical component to bringing back New Orleans as a viable and desirable city for those who live there and to encourage former residents to return.

Health Needs of the Population

The findings from our follow-up surveys in the fall of 2006 and spring of 2008 of adults in New Orleans highlighted some of the major health needs that the people living in the New Orleans area faced, reflecting the high levels of health concerns that had continued from before the storm. In 2008, 61 percent of residents reported some sort of chronic illness (Figure 3). Overall, hypertension was the most commonly reported condition, experienced by 37 percent of adults, which was higher than the 28 percent of Americans reporting high blood pressure nationally.[6] Our survey results also found that 15 percent of adults reported a serious mental illness such as depression. The health needs among the residents of New Orleans are often also exacerbated by the challenges in coverage and access. While fewer residents reported having no usual source of care in 2008 compared to 2006, a quarter of adults still continued to depend on a hospital emergency room as their primary source of care (Figure 4). Overall, more

[5] Perry, M. et al, "Voices of the Storm: Health Experiences of Low-Income Katrina Survivors," Kaiser Family Foundation, August 2006, http://www.kff.org/uninsured/7538.cfm.
[6] Centers for Disease Control and Prevention, *Chronic Disease Indicators Report*, 2007.

than half the city's adult population reported some sort of coverage or access problem, and a third had two or more problems.

Coverage Issues

Health care coverage provides the means for people to access health care services and financing to support the health care system. When Katrina struck, Louisiana already had one of the highest percentage of its population uninsured—20% statewide and 28% in New Orleans. Following Katrina, more people undoubtedly became uninsured as they lost their jobs and their health insurance. Some low-income Katrina survivors were able to turn to Medicaid for assistance, but because the eligibility standards for Louisiana Medicaid were not changed after the storm, many others were not able to access this coverage. The income eligibility level for working parents in Louisiana is 25% FPL ($5,513 a year for a family of four in 2009) and only 12% FPL ($2,646 a year for a family of four in 2009) for non-working parents. Uninsured rates among the nonelderly in Louisiana and New Orleans continue to be higher than the national average – 20% statewide and 25% in New Orleans compared to 17% nationally (Figure 5). Adults under the age of 65 comprise the bulk of Louisiana's and New Orleans' uninsured population. In 2008, a quarter of nonelderly adults in Louisiana and 29% in New Orleans were uninsured, substantially higher than the national average of 20% for this group and at roughly the same level as pre-Katrina.[7]

However, the story is quite different for children due to the availability of coverage through Medicaid and LaCHIP. While eligibility for adults is extremely limited, Louisiana has been successful in reaching out and providing coverage to low-income children by expanding health coverage through LaCHIP for children in families with incomes up to 250% of the federal poverty level ($55,125 for a family of four in 2009). In 2008, 8 percent of children were uninsured in Louisiana compared to 10% in the country overall in 2008. Children in New Orleans have slightly higher rates at 13% uninsured in 2008. Public coverage through the Medicaid and LaCHIP programs has helped to close the coverage gap for Louisiana's children with 44% of children in Louisiana and 53% in New Orleans covered through Medicaid or LaCHIP. The extensive reach of these programs and lower level of uninsurance for children highlights the importance of these programs in maintaining coverage for low-income children

[7] KCMU and Urban Institute Analysis of the 2008 American Community Survey (ACS).

and helping to provide access to the preventive services and medical care they need to have a healthy start in life.

Beyond the importance of providing coverage for children is the critical fact that by covering the majority of children and leaving few uninsured, the providers of care to those children are compensated for their services. Thus, the expansions in coverage for children have also helped to restore provider capacity. However, coverage for the three in ten nonelderly adults who are uninsured in New Orleans remains a challenge. Lower eligibility levels mean that most of the New Orleans' low-income adults are uninsured and depend on ERs and public clinics, which treat them as uncompensated care.

Restoring Health Services

Over a year after the storm, the Brookings Institution's Katrina Index reported that only 52% of state-licensed hospital beds were in operation. Further, the number of physicians filing claims for medical services had fallen by roughly half, the number of safety-net community clinics in the region has dropped from 90 to 19, and a large share of the region's long-term care capacity remained destroyed.[8] There were severe shortages in the health care workforce at all levels —physicians, nurses, attendants, laboratory technicians, dieticians, and housekeeping staff—that are essential to patient care, as many had relocated elsewhere in the state or out-of-state.

As part of Congressional authorization of assistance to the region post-Katrina, funding was allocated to both help pay for coverage of Medicaid for those individuals who sought health care services in other states as well as provide direct support to restoring health care services in New Orleans. To help address primary care and workforce shortages, the Department of Health and Human Services released $100 million in funds for the Gulf Region authorized in the Deficit Reduction Act. These funds were used to help support public and non-profit clinics that provide primary care to low-income and uninsured residents in the area and assist with recruiting much-needed health workers back to the area through the Greater New Orleans Health Services Corps.

[8] Rudowitz, R., Rowland, D., and A. Shartzer, op. cit.

With this support, progress in restoring health care capacity in the New Orleans area has slowly been made. After operating clinics out of tents in the Convention Center and then in an abandoned department store, LSU refurbished and reopened parts of University Hospital in November 2006. In February 2007, trauma care was transferred from a rented space at Elmwood Hospital to the reopened University Hospital. However, the capacity of the reopened University Hospital was considerably smaller than the former combination of Charity Hospital with University Hospital, with only approximately 140 staffed beds. Furthermore, services provided at University Hospital have been much more limited than were offered before the storm, especially for specialty care such as mental health services.

The efforts to rebuild and reform the health care infrastructure in New Orleans have focused on decentralizing health care services throughout the community as well as rebuilding Charity Hospital. With the delay in the rebuilding of Charity Hospital, a number of community health clinics have opened to help provide the community with primary and preventive health care services. These clinics have provided an invaluable source of care for returning residents who previously depended on Charity for health care services. By the fall of 2006, 22 primary care community clinics of varying size and scope in the Greater New Orleans region were established to provide healthcare to people regardless of their ability to pay. Most of these facilities were a part of the Regional Ambulatory Planning Committee of the Partnership for Access to Healthcare (PATH), which became a vehicle to coordinate services and disburse supplemental Social Services Block Grant dollars to support the recovery and expansion of neighborhood-level primary care services in the region.

Further support for community clinics came from the Primary Care Access and Stabilization Grant (PCASG). These funds continue to support public and non-profit clinics that provide primary care to low-income and uninsured residents in the area. This support for primary care services has provided an important foundation for building a community-based system in New Orleans, including providing services to nearly 80,000 of the region's uninsured population each year. The 25 participating organizations have expanded the number of service delivery sites from 67 pre-grant to 93 today. The sites vary in scope and scale, including primary and behavioral health care clinics, school-based health centers, dental and mobile clinics. As a result of this support, the total number of individuals served has steadily increased by 15% every six-month period starting March 2007 for outpatient primary and behavioral health care.

Our survey findings indicate that when it comes the health care system, the residents of New Orleans place a high priority on a number of possible methods to expand access to health care services. While four in ten listed building a new hospital to replace Charity as their most important priority, nearly as many focused on expanding health coverage or bringing in more medical personnel (Figure 6).

Next Steps

Recovery in New Orleans is not complete and many challenges remain in the efforts to restore capacity in the health system and provide for adequate access to health care services for the people of New Orleans. The rebuilding effort is aimed toward the goal of building a health services network that is integrated and provides preventive and primary care throughout the city with specialty and inpatient services when needed. It is a vision of a modern medical care system that links patients to the care they need and replaces the hospital-centered two-tier system of the past.

However, if this vision of medical care in New Orleans is to be realized, current efforts need to be sustained and additional steps need to be put in place. Among the options to consider in strengthening coverage and access to care in New Orleans:

- Maintain health insurance coverage and the critical role that Medicaid/LaCHIP play for Louisiana's children to improve and promote access to care for the children of New Orleans, where over half (53%) are now covered through Medicaid or LaCHIP, and provide a financing base for the providers and clinics that care for them.

- Extend coverage through Medicaid to low-income adults by raising the eligibility levels for parents and extending coverage to childless adults to enable basic primary care services to be made available for this population and reduce uncompensated care costs for the hospitals and providers that treat them. Health reform legislation now pending would provide coverage through Medicaid for low-income adults, but implementation would be several years out. State action now to increase eligibility levels for parents could offer immediate assistance and provide federally-matched Medicaid dollars to help pay providers.

- Sustain the network of community-based clinics to provide frontline primary care services in the community to broaden access and deter reliance on emergency departments for care. Priority needs to be given to certification of additional federally qualified health centers and securing financing for clinics that are caring for the uninsured.

- Develop additional community-health centers and integrate existing centers with inpatient facilities and the region's broader delivery system. More primary care services throughout the community, and especially in neighborhoods that are being rebuilt, would both provide access to care for residents as well as a stable practice setting for returning doctors and health workers.

- Provide back-up resources for the community clinics by increasing both inpatient and outpatient capacity for tertiary care and for mental health services to supplement the care now provided through the interim University Hospital. Extending mental health capacity is particularly important with the recent closure of the New Orleans Adolescent Hospital, which had provided mental health beds for adults after the closure of Charity Hospital post-Katrina. It has been almost five years since the storm, and construction of a new teaching hospital to replace Charity Hospital has yet to begin. A fully integrated health system will require establishing a full range of specialists and hospital services that provide the full continuum of services for patients --- from primary to tertiary care.

Important steps are being taken to achieve this vision of an integrated health system for the people of New Orleans, but the progress is always slower than desired. Much has been achieved in building new capacity among the community-based clinics, but other pieces like the expansion of coverage for adults have been on a slower track making sustainability over time difficult for the clinics. Moving forward --- and in anticipation of health care reform --- maintaining coverage for children and broadening coverage for some of their parents can help provide needed resources to the providers of care, but until more universal coverage is achieved, many of the community providers may need additional funds to help cover the uncompensated care from the uninsured population.

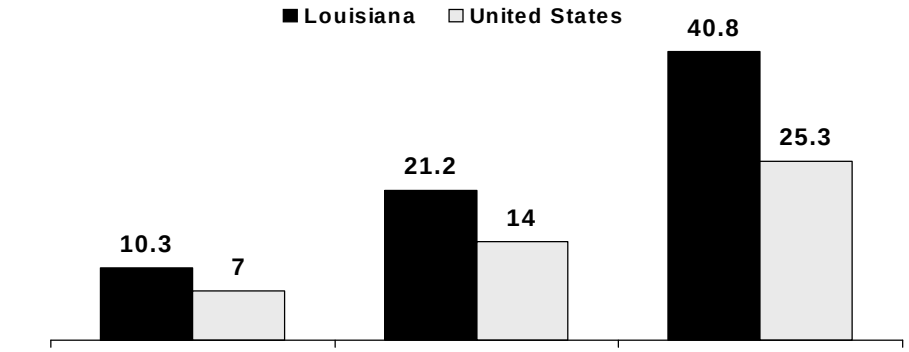
This Oversight Hearing today provides an opportunity to assess the progress to date and look ahead to how the recovery process can be completed. Making sure the progress achieved

thus far is not rolled back is essential to restoring health care services in New Orleans and building a strong base for a reformed health care system.

Thank you for the opportunity to testify today. I welcome any questions.

Figure 1

Selected Health Status Characteristics of Pre-Katrina Louisiana Compared to the U.S.

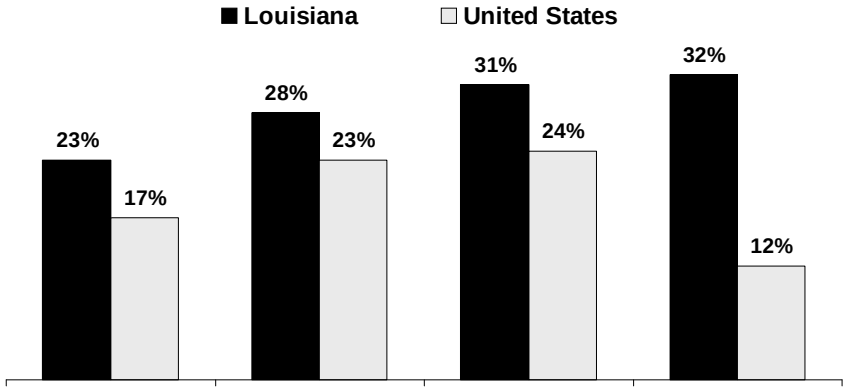


	Infant Mortality (per 1,000 live births)	AIDS Case Rate (AIDS Cases per 100,000)	Diabetes Mortality (Deaths per 100,000)
Louisiana's Rank	50th	46th	51st

Note: Rankings include DC.
SOURCE: Kaiser *statehealthfacts.org,* 2006. Infant Mortality data for 2002, Diabetes Mortality for 2003, and AIDS Case Rate for 2005. All data from CDC.

Figure 2

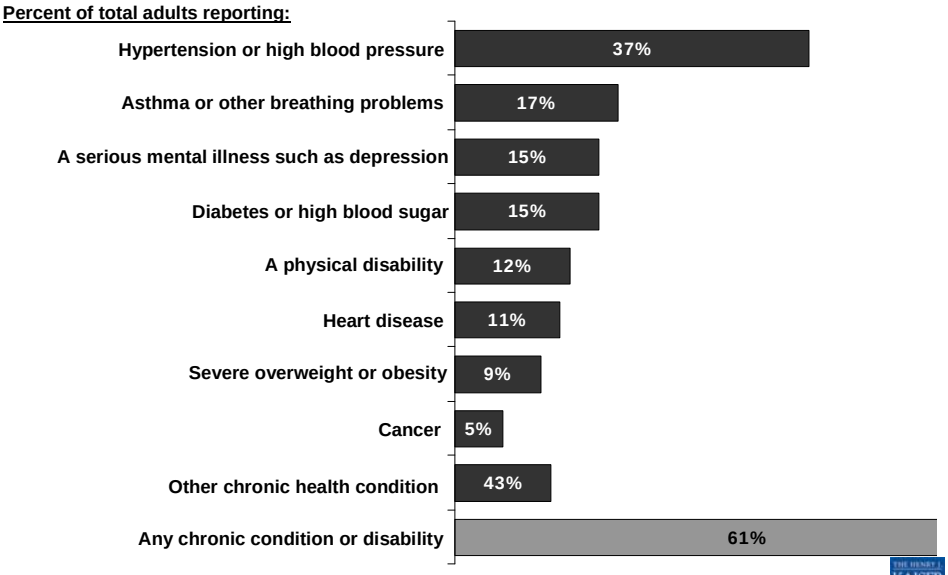
Key Characteristics of Pre-Katrina Louisiana Compared to the U.S., 2004-2005



SOURCE: Kaiser *statehealthfacts.org, 2006*. Data is from the Census Bureau's March 2005 and 2006 Current Beneficiary Survey.

Figure 3

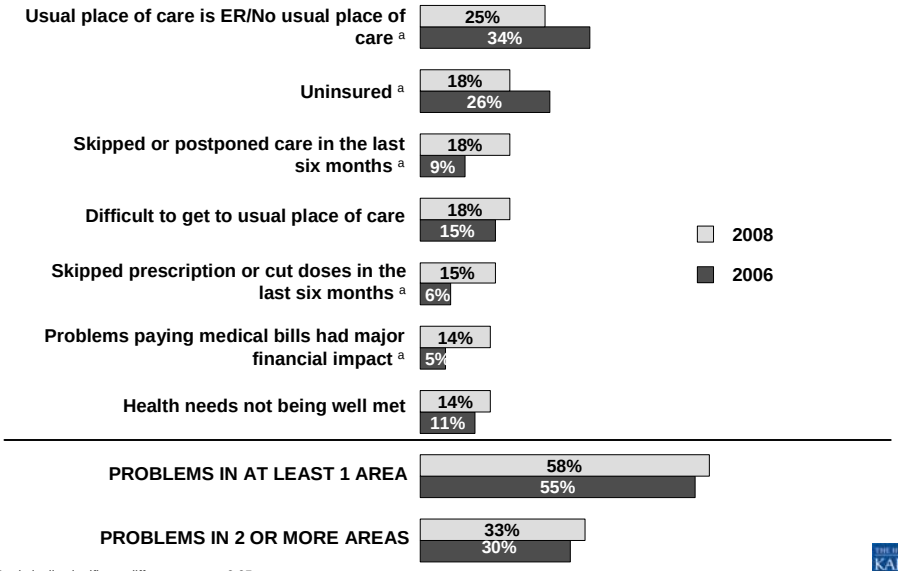
Self-Reported Prevalence of Chronic Conditions



Source: *New Orleans Three Years after the Storm: The Second Kaiser Post-Katrina Survey, 2008* (conducted March 5 – April 28, 2008)

Figure 4

New Orleans: Three Years Post-Katrina, 2008

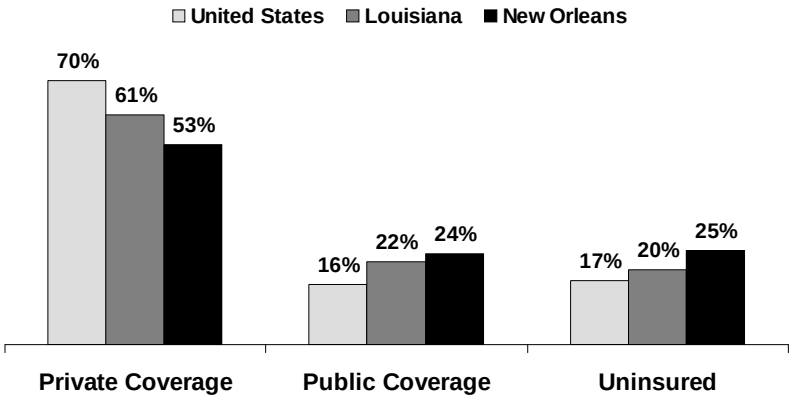


a Statistically significant difference at $p < 0.05$

Source: *New Orleans Three Years after the Storm: The Second Kaiser Post-Katrina Survey, 2008* (conducted March 5 – April 28, 2008)

Figure 5

Health Insurance Coverage of the Nonelderly, 2008

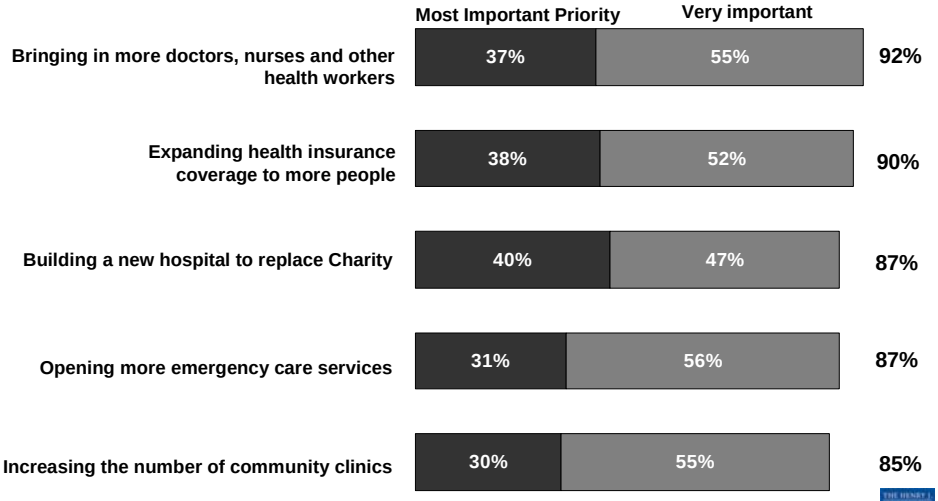


Source: KCMU and Urban Institute analysis of the 2008 American Community Survey (ACS)

Figure 6

Hospitals and Providers Top Health Priorities

Please tell me whether or not you think each of the following should be the most important priority for rebuilding New Orleans' health care system, very important, somewhat important, not too important or not at all important:



Source: *New Orleans Three Years after the Storm: The Second Kaiser Post-Katrina Survey, 2008* (conducted March 5 – April 28, 2008)