

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 466** SLS 16RS 1198
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 25, 2016	8:23 AM	Author: HEWITT
Dept./Agy.: LSU Hospitals		Analyst: Willis Brewer
Subject: Monetization of public hospital assets		

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Authorizes the legislature to approve the monetization of the assets of the public hospitals operated by the Board of Supervisors of Louisiana State University. (gov sig)

Proposed law provides that notwithstanding any provision of law to the contrary, if the legislature determines that a projected deficit exists or there is a reduction in revenues which creates the need to monetize the assets of a hospital, or if an opportunity to improve the health care delivery system of the region in which a hospital resides arises, the legislature may approve the monetization or change to the delivery system by a majority vote of the members of each house of the legislature.

Proposed law provides that it shall terminate as of June 30, 2020.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total					\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total					\$0	\$0

EXPENDITURE EXPLANATION

This bill requires LSU to receive legislative approval before monetization of any hospital assets (sale or lease of facility property and equipment) or change in provisions of health care. The fiscal note assumes a change in a provision of health care is related to any type and level of healthcare service provided by each hospital. Under current law closure of ER or hospital requires approval by the legislature either by concurrent resolution or by appropriate action in the General Appropriation Act.

To the extent LSU alters any existing Cooperative Endeavor Agreement (CEA) or enters into a new CEA with Lallie Kemp Medical Center in the future before 2020, LSU will be required to inform the Commissioner of this proposal. After the Commissioner determines negotiations are sufficient, the Commissioner will instruct LSU to contact JLCB and request this proposed agreement be put on the agenda for approval. After JLCB approval, the proposal will be required to receive a majority vote of the legislature. If in a session, a concurrent resolution can be filed.

Note: The remaining non-partner public hospital is Lallie Kemp Medical Center (Independence). To the extent Lallie Kemp enters into a CEA, the contract will be subject to approval requirements outlined in this bill. In addition, to the extent any of the current CEAs are terminated and re-negotiated relative to a new contract between the state and a private partner, this bill would be applicable to that public hospital contract. Lallie Kemp's Statement of Net Assets as of 6/30/2012 shows \$11 million of total assets, however, this is a generalization of the process that would occur in the event the hospital would be monetized. LSU anticipates it would need to engage with legal counsel to represent the interest of the hospital and negotiate a fair market value for Lallie Kemp. Additional costs may occur from the sale or lease of Lallie Kemp including property maintenance for buildings not sold and continued legacy costs including retiree group insurance and risk management premiums.

REVENUE EXPLANATION

This proposed law does not directly impact revenues to the state; it only provides for an approval process. To the extent LSU would sell property and/or equipment or enter into another lease arrangement, the state is anticipated to receive a significant but indeterminate amount of revenue. Currently, lease revenues associated with the public private partnerships (PPP) hospital arrangements go to State General Fund.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

Evan Brasseaux
Staff Director