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Speaker: La. debt is ‘time bomb’

[Show Caption](#) Patrick Dennis/The Advocate
Feds, state dispute \$770 million total

- By [MARSHA SHULER](#)
- Advocate Capitol News Bureau
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House Speaker Jim Tucker called it “a ticking time bomb that is going to blow up on us.”

The “ticking time bomb,” said Tucker, R-Terrytown, is \$770 million that the federal government claims Louisiana owes.

The debt stems from three separate financial missteps under previous administrations involving the use of federal health-care dollars.

The debts claimed by federal authorities are being used as “bargaining chips” in state and federal debate surrounding Gov. Bobby Jindal’s proposed restructuring of Louisiana’s health-care delivery system.

Jindal and his health chief Alan Levine have been negotiating with federal officials over the total.

The amount rises each day. Some of the debt carries an interest charge of 12 percent.

The federal-state dispute comes at a time when the state is already projecting a \$1.3 billion budget hole for the fiscal year that begins July 1.

The federal government claims the state owes it:

- About \$290 million for use of Medicaid money to help pay off “road hazard” claims through the state’s self-insurance programs — the Office of Risk Management.
- Nearly \$120 million in Medicaid overpayments made for nursing home care.
- Another \$360 million rooted in excess cash that went to LSU’s public hospital system for care of the uninsured.

Levine told lawmakers last week that his agency has \$350 million in one-time money that could be used toward debt repayment.

But instead of repaying the debt, the Jindal administration wants to use the funds in-state as it launches a health-care revamp and Medicaid expansion that adopts a private insurance-based Medicaid managed care model.

The Bush administration has been pushing the state in that direction for Medicaid care of the state's poor and uninsured for the last several years.

So far, there's been no settlement. Neither has the state sought federal approval of its health-care revamp plan, which relies on relief from the federal debt for its initial financing.

"The political leaders in Washington want to do it. But they have to be sensitive about what they are doing — setting precedent for other states," Levine said. "Whatever is done for us, you can rest assured that other states are going to work it."

Levine said federal health officials have the U.S. Department of Justice, the inspector general and the General Accounting Office looking over their shoulders.

"If they get audited, they have to have a valid reason for it," Levine said. "It would not help us if they grant relief to us, and another state sues," he said.

Levine said the state has bought some time on the LSU issue for which a formal claim has not been made.

"I think next fiscal year we will have to pay back or begin paying back the nursing home and road hazard claims unless by some miracle they find in our favor," Levine said.

The LSU problem involves money received for care of the uninsured that went to pay physicians and other costs for which the federal funds cannot be spent, Levine said.

"It's a potential disallowance that the state would contest," said LSU System Vice President Fred Cerise, a former state health chief.

Legislative audits disclosed both the "road hazard" and LSU uninsured care payment problems as part of financial reports on agency spending.

Levine said the two claims that are most pressing are those involving "road hazards" and nursing homes.

DHH Undersecretary Charles Castille said the Legislature made the state stop using transportation trust fund money to pay off road hazard claims back in 1988. That left insufficient dollars to cover road hazards, which are claims against the state due to injuries from accidents caused by the conditions of state roadways.

State money and whatever federal money including federal health-care dollars were spent to cover the shortfall, Castille said.

"The federal money should have been used for medical malpractice, and it was used for other purposes such as the road hazard fund," said Castille.

The federal action is against the governor's Division of Administration — not DHH, Castille said.

The U.S. Justice Department is seeking recovery. A 12 percent interest rate has nearly doubled the original \$152 million claimed, Levine said. The Jindal administration is trying to get federal officials to forget the interest charges, he said.

Louisiana Nursing Home Association executive Joe Donchess said there are \$116 million in overpayments related to the formula used in 2001 and 2002 for nursing home funding.

Donchess said there is an \$800 million trust fund for the elderly from which the repayment could be made. However, Donchess said there is still a question about how much the state owes.

The state claims the amount is between \$60 million and \$80 million. The case is pending before the federal health agency's Departmental Appeals Board, Donchess said.

Pennsylvania, Illinois and other states continue to use the same formula on which Louisiana is being challenged, Donchess said. Federal officials requested the funding some three years ago, he said. "We are still arguing," he said.

Levine said the state's Washington, D.C., health-care law firm does not believe Louisiana would be successful in a challenge, particularly after Missouri lost a similar case recently.

But Donchess said the Missouri case "is not quite the same" as Louisiana's.

Administration plans to use elderly trust fund money to help pay for the addition of 106,000 people to Medicaid do not sit well with Donchess. The interest from the trust fund is used for nursing homes and community programs for the elderly and disabled, he said.

"That to me is shifting money away from nursing homes and other programs. That (expanding Medicaid) was not the purpose for that money," he said.

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