

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

| | |
|---|-------------------------------|
| Date: May 12, 2016 10:11 AM | Author: HEWITT |
| Dept./Agy.: LSU Hospitals | |
| Subject: Sale of Public Hospitals or assets of medical centers | Analyst: Willis Brewer |

HOSPITALS EG SEE FISC NOTE GF EX Page 1 of 1

Provides a procedure for the sale of a hospital or any asset of one of the medical centers operated by the Board of Supervisors of Louisiana State University. (gov sig)

Proposed law provides that in the event the Board of Supervisors of Louisiana State University receives an inquiry from a viable party regarding the purchase of a hospital or any asset of one of the medical centers, the legislature may approve the sale of any hospital or any asset of one of the medical centers.

Proposed law provides for inquiry review by the commissioner and LSU to include an assessment of the impact a sale of the property will have on healthcare in the region, graduate medical education, any operational or contractual issues, and a cost benefit analysis of the sale. Proposed law provides that prior to any sale the commissioner is required to notify Joint Legislative Committee on the Budget (JLCB) in writing of this sale of property and will require approval by JLCB and the Legislature by majority vote.

Proposed law provides that it shall terminate as of December 31, 2019.

| 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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | | | | | \$0 | \$0 |

EXPENDITURE EXPLANATION

To the extent LSU receives an inquiry that would lead to an approval process, this proposed law is anticipated to have an indeterminable increase in expenditures to the state. This measure provides for an approval process for the sale of a hospital or medical center assets, however, this measure requires three appraisals of the property and advertisement of the solicitation for forty-five days electronically (on the web) and in local and statewide newspapers at least three times within forty-five days. Based on information provided by HCSD, a certified appraisal for a hospital may cost as much as \$25,000 per appraisal, but this appraisal cost will be based upon the property being sold.

Approval Process

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. The proposed law will require LSU to inform the Commissioner within five days in the event they receive an inquiry from a viable party regarding the purchase of any of the remaining public hospitals or the purchase of any asset of the medical centers (Health Sciences Center in New Orleans and Shreveport) in the future before 2020.

The law further provides that the commissioner and LSU will work in tangent to review the inquiry including an assessment this sale will have on the delivery of healthcare in the region, a cost-benefit analysis addressing the financial advantages/disadvantages, and any prior contractual or operational issues with any other party that will have to be addressed prior to this new agreement. In addition, the commissioner is obligated to obtain a fair market value appraisals from three Louisiana certified appraisers to provide the current value of the property. After the first approval step, a report is required to be submitted to JLCB. Prior to any action that will result in the sale of the property, the commissioner is required to notify JLCB that LSU and the commissioner are recommending a sale. After JLCB provides preliminary authorization to pursue the sale, this proposal will require a majority approval by each house of the legislature. LSU and the commissioner will develop a solicitation for offers to sell the property fixing the minimum price and terms of sale. After LSU and the commissioner agree that an acceptable offer has been received, LSU shall submit the proposed agreement to JLCB for review and approval.

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, the state is anticipated to receive a significant but indeterminate amount of revenue. This measure does not provide for lease agreements for the LSU hospitals. Therefore, any revenue received from the sale of a hospital or medical center asset is anticipated to be one-time revenue. Currently, the state receives annual lease revenues associated with the public private partnerships (PPP) hospital arrangements that goes into the SGF.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

Evan Brasseaux
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