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**TESTIMONY OF GARY Q. PECK, MD, FAAP  
ON BEHALF OF THE AMERICAN ACADEMY OF PEDIATRICS**

**ENERGY AND COMMERCE SUBCOMMITTEE  
ON OVERSIGHT AND INVESTIGATIONS**

**“Post-Katrina Health Care in the New Orleans Region:  
Progress and Continuing Concerns”**

**August 1, 2007**

Good morning. I appreciate this opportunity to testify today before the Energy and Commerce Subcommittee on Oversight and Investigations at this hearing, “Post-Katrina Health Care in the New Orleans Region: Progress and Continuing Concerns.” My name is Gary Q. Peck, MD, FAAP, and I am proud to represent the American Academy of Pediatrics (AAP), a non-profit professional organization of more than 60,000 primary care pediatricians, pediatric medical sub-specialists, and pediatric surgical specialists dedicated to the health, safety, and well-being of infants, children, adolescents, and young adults. I chair the Academy’s Disaster Preparedness Advisory Council and serve on its Board of Directors as the representative of the region encompassing Louisiana, Mississippi, Texas, Arkansas and Oklahoma. I am a former Medical Director, Deputy Assistant Secretary, and Assistant State Health Officer for Louisiana's Office of Public Health and a former practicing pediatrician specializing in the field of adolescent medicine.

The American Academy of Pediatrics (AAP) has grave concerns regarding the current and future health of children in New Orleans and along the Gulf Coast who continue to recover from Hurricane Katrina. From the dangers and hardship associated with evacuation and relocation, to respiratory problems and injuries immediately after the hurricane, to the ongoing concerns related to mental health effects, the children of the Gulf Coast have borne an enormous amount of suffering associated with that disaster.

## **Challenges Facing Private Practice Physicians in the New Orleans Region**

Today, perhaps one of the greatest challenges facing the entire health care system in New Orleans is the retention of existing health care providers and recruitment of sufficient new providers to ensure timely access to quality care. Health care does not happen without qualified, committed practitioners. Among the physicians displaced after the storms, almost 4,500 had worked in the New Orleans region.<sup>1</sup> In summer 2006, the number of board-licensed primary care physicians in New Orleans compared to the month before Katrina dropped from 2,645 to 1,913, a decrease of 28 percent.<sup>2</sup>

Those of us who live in New Orleans have seen a pattern to the loss of physicians. Immediately after the storm, the first wave of doctors who departed tended to have high medical school debt and not be established firmly in their practices. A year or more later, another round of departures occurred among long-time area physicians whose families were simply exhausted by the high crime rates, poor school performance, and the routine stress of negotiating daily life in a community where it can be difficult just to run normal errands. Institutions outside our region have begun recruiting heavily among our ranks, offering hefty bonuses and perks to those willing to move. At the same time, the New Orleans hospitals struggle with staff shortages at all levels, our emergency departments are chronically stressed, and the dearth of mental health providers presents both short- and long-term challenges.

Physicians in private practice have faced enormous hurdles over the past 22 months in re-establishing and maintaining viable practices. As a pediatrician, I can attest that many of

these difficulties are common to all health care providers, while some are specific to pediatric care providers. Allow me to share with you the litany of issues faced by my colleagues in the New Orleans area.

***Personal and Professional Losses.*** It is difficult to convey adequately the devastation inflicted upon the New Orleans area community and health care infrastructure. Many physicians faced the total destruction of their homes and office space, including medical records, equipment, and supplies. Office staff may have been unwilling or unable to return to the area. In addition to the physical losses, physicians lost revenue during the weeks or months they were unable to practice. Many physicians who stayed in the region are only now -- two years later -- seeing an adequate volume of patients to sustain a practice. I am personally familiar with many physicians who were denied insurance coverage for their losses, or whose insurance payouts did not begin to cover their actual costs. These doctors are now carrying the double burden of pre-existing debts and obligations and the new expenses associated with re-establishing their practice.

***Lack of Access to Aid.*** Under the Stafford Act, physicians in private practice are considered “for-profit” entities, much like dry cleaners or liquor stores. As such, they are unable to access most forms of government aid like the programs that assist hospitals and community health centers. Physicians are eligible only for Small Business Administration (SBA) loans up to a certain level. The delays and other problems in SBA loan processing have been well-documented by the Government Accountability Office.<sup>3</sup>

The Louisiana Department of Health and Hospitals program to retain and recruit new providers has been the subject of a good deal of confusion, and its impact on retention, especially in pediatrics, is unclear. While the Greater New Orleans Health Service Corps will distribute \$50 million, fully 70 percent is earmarked for recruitment of new providers and only 30 percent for retention of existing health care workers.

***Lack of Systemic Support for Local Health Care Providers.*** Particularly in the immediate wake of the storms, the entire Gulf Coast region experienced an influx of volunteer organizations providing free or low-cost care to residents. Local private practitioners found their patients going to temporary facilities that were more visible, better advertised, and easier to access than their home practices. While certainly well-meant, these efforts had the unintended consequence of diverting patients to temporary providers that failed to provide a medical home and denied needed revenue to local health care providers.

***A Higher Proportion of Uninsured and Medicaid Patients.*** With the loss of jobs after the hurricanes, the numbers of patients covered by Medicaid or having no coverage at all has increased from about 15 percent of the population to about 20 percent. Louisiana Medicaid now covers approximately 20 percent of all people in the New Orleans area.<sup>4</sup> At the same time, almost 65,000 fewer children are covered by the Medicaid and the State Child Health Insurance Program, which is a Medicaid expansion, in the New Orleans region. We are faced with a paradoxical situation of having far fewer residents but a higher proportion of uncompensated and Medicaid care.

***Poor Payment for Services.*** Unlike most other service providers, physicians in private practice do not have the ability to charge more for care. Doctors are locked into contracts with private insurers or Medicaid that prevent them from altering their rates. In fact, one private insurer, United, is currently decreasing reimbursement to New Orleans primary care pediatricians. Even under the best of circumstances, private practitioners find it difficult to negotiate for better rates with large insurance companies. After the hurricanes, most physicians were in no position to take the time and effort necessary to renegotiate their contracts with insurers. Programs like Medicare and Medicaid largely failed to respond with higher rates.

***Difficulties in Recruiting.*** The recruiting challenges faced by hospitals and health systems are as bad, if not worse, in physician practices. Physicians are facing tremendous obstacles in recruiting new physician partners as well as nurses and office staff. The availability of specialists and subspecialists to care for patients with special needs is extremely low. The cost of living in the New Orleans area is requiring physicians in private practice to offer prohibitively high salaries to their staff – some of whom can earn better salaries in low-skill private sector jobs than they can in health care.

***Challenges Specific to Pediatrics.*** Many of the issues mentioned above are exacerbated in the pediatric setting. As caregivers for children, pediatricians treat no Medicare patients and were therefore unable to benefit from the modest Health Provider Shortage Area increases disbursed through Medicare to Gulf Coast providers. Medicaid rates in

Louisiana average 60 to 70 percent of Medicare rates, although the Legislature passed a measure recently that will raise our Medicaid payments to 90 percent of Medicare's rates as of October 1. Pediatricians face high overhead costs, particular in the form of vaccines, which must be purchased and paid in full up front with no guarantee that all of the doses will be administered and reimbursed. Pediatricians struggling to provide a "medical home" for their patients, particularly for children with chronic or complex health needs, usually find the extra time and work involved goes uncompensated. Children's mental health needs are woefully unmet; according to one study, an estimated 45% of children returning to New Orleans need mental health services.<sup>5</sup>

### **Private Practices are the Foundation of the Health Care System**

If we hope to rebuild a robust health care system in New Orleans that can provide high quality care to all patients, policymakers must recognize the crucial role of private medical practices. In pediatrics, 85 percent of all patient encounters occur in privately owned and operated practice settings.<sup>6</sup> Without the work of private practitioners, hospitals and community health centers would experience an untenable influx of patients, many of whom would not be receiving care in the most appropriate or cost-effective setting.

In order to be able to provide care, private practitioners must receive appropriate payment for their services. For the past two years, many New Orleans-area physicians have been expected to treat large numbers of patients whose care is uncompensated or paid at rates that do not cover costs. This is not a sustainable business model. Policymakers must

recognize the value of these services and finance them at levels that allow for practitioners to operate a viable enterprise.

***Recommendations for Louisiana.*** The American Academy of Pediatrics commends the State of Louisiana for its recent decision to increase Medicaid payments. This increase will have an immediate impact on the ability of physicians, including pediatricians, to accept Medicaid patients. Unfortunately, this increase is still insufficient to assure access to care for all children.

Policymakers should re-examine the emphasis of the Greater New Orleans Health Service Corps on retention versus recruitment to determine whether that focus is appropriate. The state's effort to establish additional community health centers and federally-qualified health centers should be reviewed to ensure that it represents a long-term strategy that will best serve the needs of area residents. The Louisiana Department of Health and Hospitals should affirm the vital role of private practitioners in the health care system by exploring creative incentives for supporting these practices in their efforts to serve patients and recruit staff.

***Recommendations for the Federal Government.*** The federal government must transform its goal in disaster medical care from providing short-term, temporary care to supporting the local health care system and providers. After the immediate recovery phase, federal efforts should focus on the reinstatement of local health care institutions and providers, rather than the provision of care through volunteers and short-term

facilities. Health care providers – including for-profit private practices – must be provided with aid to re-establish their operations. Patients must be encouraged and assisted in returning to their prior health care providers to improve continuity of care. The Stafford Act should be examined to identify avenues for providing aid to for-profit health care entities such as private practices, recognizing the vital role they play in a health care system. Finally, the AAP supports efforts to replace the Medicare Sustained Growth Rate with a more appropriate medical inflation adjustor. Given that Louisiana has indexed its Medicaid payment increases to Medicare, any cut in Medicare rates will cause an associated decrease in Medicaid payments.

The American Academy of Pediatrics commends you, Mr. Chairman, for holding this hearing today to examine the ongoing challenges facing the health care system in the New Orleans region. I appreciate this opportunity to testify, and I will be pleased to answer any questions you may have.

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<sup>1</sup> Madamala K, Campbell C, Edbert H, Hsieh Y, James J. *Characteristics of Physician Relocation Following Hurricane Katrina*. Disaster Medicine and Public Health Preparedness, Vol 1, No. 1, July 2007.

<sup>2</sup> Ibid.

<sup>3</sup> Small Business Administration: Additional Steps Needed to Enhance Agency Preparedness for Future Disasters. (GAO-07-114). Government Accountability Office, Washington, DC: Feb 2007. Available at <http://www.gao.gov/new.items/d07114.pdf>.

<sup>4</sup> Louisiana Department of Health and Hospitals, available at <http://www.dhh.louisiana.gov/offices/page.asp?id=88&detail=7589>

<sup>5</sup> Rebuilding Louisiana's Health Care System. Alliance for Health Reform, July 2007. Available at [http://www.allhealth.org/publications/State\\_health\\_issues/Rebuilding\\_Louisianas\\_Health\\_Care\\_System\\_66.pdf](http://www.allhealth.org/publications/State_health_issues/Rebuilding_Louisianas_Health_Care_System_66.pdf).

<sup>6</sup> Tank S. *Profile of Pediatric Visits*. American Academy of Pediatrics, Elk Grove Village, IL, 2007.