

DAVID VITTER
LOUISIANA

DEPUTY WHIP

Armed Services

Banking, Housing, and Urban Affairs

Environment and Public Works

Small Business and Entrepreneurship

United States Senate

WASHINGTON, DC 20510

April 11, 2011

WASHINGTON, D.C.
HART SENATE OFFICE BUILDING
SUITE SH-516
WASHINGTON, DC 20510
(202) 224-4623
FAX: (202) 228-5061

BATON ROUGE
858 CONVENTION STREET
BATON ROUGE, LA 70802
(225) 383-0331
FAX: (225) 383-0952

Website with E-Mail Access:
vitter.senate.gov

BY ELECTRONIC MAIL
IMMEDIATE ATTENTION REQUESTED

The Honorable Shaun Donovan
Secretary
U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410

RE: HUD/Taxpayer Guarantee of Charity Hospital Loan

Dear Secretary Donovan:

I write to express strong opposition to the State of Louisiana's application (through the University Medical Center Board) for HUD 242 Program support for the proposed new Charity Hospital in New Orleans. Were you to grant the state such support, it would provide a taxpayer guarantee (through mortgage insurance) of the Charity Hospital loan, creating serious potential taxpayer liability.

I support a modern teaching hospital in New Orleans so that we can provide state-of-the-art medical care to all citizens and educate and train an exceptional medical workforce. But I believe that Louisiana's current \$1.2 billion Charity Hospital proposal is an extravagant, unsustainable plan. This assertion is substantiated by the very fact that the state cannot get private financing at a reasonable cost without taxpayer support through HUD's 242 Program.

The state's hospital proposal will perpetuate an existing operation wrought with inefficiencies, and it includes too many beds that the region will not be able to sustain. The current interim hospital has about 206 inpatient beds filled and is far from fully occupied. The \$1.2 billion proposal before you nevertheless increases that number of beds to 424 – a jump of over 100 percent.

Louisiana is currently under massive budget pressure and has been forced to make significant cuts to health care and education to balance its budget. This proposed new hospital would only add to Louisiana's budget woes in the future. It would result in a substantial additional financial commitment by the state for decades to come, which could lead to additional cuts to health care and education, and possibly increased state taxes to subsidize the new hospital as currently proposed.

ACADIANA
800 LAFAYETTE STREET
SUITE 1200
LAFAYETTE, LA 70501
(337) 262-6898
FAX: (337) 262-6373

CENTRAL LOUISIANA
2230 SOUTH MACARTHUR DRIVE
SUITE 4
ALEXANDRIA, LA 71301
(318) 448-0169
FAX: (318) 448-0189

NORTHEAST LOUISIANA
1217 NORTH 19TH STREET
MONROE, LA 71201
(318) 325-8120
FAX: (318) 325-9165

NORTHWEST LOUISIANA
920 PIERREMONT ROAD
SUITE 113
SHREVEPORT, LA 71106
(318) 861-0437
FAX: (318) 861-4865

SOUTHEAST LOUISIANA
2800 VETERANS BOULEVARD
SUITE 201
METAIRIE, LA 70002
(504) 589-2753
FAX: (504) 589-2607

SOUTHWEST LOUISIANA
3221 RYAN STREET
SUITE E
LAKE CHARLES, LA 70601
(337) 436-0453
FAX: (337) 436-3163

Even if the hospital's business plan pans out, it will mean an estimated \$70 to \$100 million subsidy of operating costs from the state general fund and possibly as much as \$400 million of new additional public debt. If the business plan proves unrealistic as I would predict, those already high costs go way up.

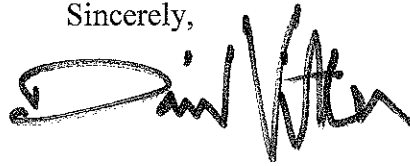
Under the latter scenario, the federal taxpayer would also face major liability if HUD grants the requested 242 Program support.

The irresponsible nature of the state's plan is further evidenced by the state moving forward to break ground even though fully one-third of the financing for the project is still not secured.

There are alternative solutions to meet our shared goal of a modern, state-of-the-art facility. My first choice since the beginning of the rebuilding discussions has been to gut the existing Charity Hospital shell and rebuild a new, state-of-the-art facility within it.¹ A second alternative would be to significantly reduce the bed size and footprint of any new construction hospital. Either of these solutions could be fully funded with dollar amounts the state already has in hand, making a taxpayer guarantee completely unnecessary.

I appreciate your commitment to and history of working to rebuild Louisiana, and I want to continue to work with you on responsible solutions for the state. I ask that you meet with me to discuss this important issue further at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "David Vitter", written in a cursive style.

David Vitter
United States Senator

CC: The Honorable Bobby Jindal, Governor of the State of Louisiana
The Honorable Joel Chaisson, President of the Louisiana Senate
The Honorable Jim Tucker, Speaker of Louisiana House of Representatives
Mr. Bobby Yarborough, Chairman, University Medical Center Board

¹ In 2006, the Louisiana Legislature commissioned a detailed report on this option, researched and produced by RMJM Hillier. The State itself had employed that firm for LSU's cancer research center in New Orleans. In its report, RMJM Hillier concluded that the existing Charity Hospital could be gutted and its interior completely rebuilt to state-of-the-art standards at a much lower cost and in a much shorter time frame than the State's current \$1.2 billion hospital proposal.