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Federalism and Policy Failure During Hurricane Katrina

Charity Hospital and the Displaced Uninsured

When Hurricane Katrina hit the Gulf Coast on August 29, 2005, close to 2,000 individuals lost their lives and the disaster cost the U.S. government $110 billion in damages, making Katrina the third deadliest and the most expensive hurricane in U.S. history. Katrina affected over 15 million people in seven states, but the most severe destruction occurred in Louisiana, Mississippi, and Alabama with the city of New Orleans, Louisiana bearing the worst of it.[1] In addition to losing their homes, New Orleans residents lost access to health care services and to health insurance as a result of losing their jobs. This lack of coverage and care was especially challenging for the city's most vulnerable residents including the poor, indigent, and chronically ill, many of whom lacked the resources to evacuate they city before Katrina made landfall. The present paper explores what happened to these people when Charity Hospital, the state's largest public health care facility closed following the storm, and asks whether federalism is partly to blame for the poorly coordinated response between municipal, state, and federal government officials.

Health Care in New Orleans Before Katrina

Louisiana is the poorest state in the nation next to Mississippi and has some of the worst health statistics in the country, ranking 49th in the nation for overall health status. Before Katrina, 23 percent of New Orleans residents lived in poverty and that number only increased after the hurricane. 21 percent had no health insurance due to limited public assistance compared with the national average of 18 percent. Another 29 percent were on Medicaid and a mere 54 percent of non-elderly adults had employer-sponsored coverage due to the high number of small businesses in the area with less than fifty employees.[2]

New Orleans had a two-tiered system of care where the insured had access to community hospitals and physicians while the poor and those without insurance received care through a network of ten public hospitals and 350 outpatient clinics. In Louisiana, care for the indigent is a state, not a local responsibility; therefore, these hospitals and clinics were operated and financed by Louisiana State University (LSU), fulfilling the state mandate that all residents have access to health care. The tiered system of care was established during Governor Huey Long's administration in the 1930s. At the time, such a system made sense because municipalities were struggling to provide care to the poor during the Great Depression. [3] Yet, as Katrina showed, the system was outdated,

inefficient, and exposed the disparities between the haves and the have-nots. Low rates of health insurance and an excessive reliance on hospitals to serve the uninsured have historically discouraged the use of preventive services in Louisiana, making the state 33rd in the nation for access to primary care.[4]

Prior to Katrina, the Charity Hospital System in New Orleans bore the primary responsibility of caring for the city's uninsured population. Charity Hospital was the only Level 1 trauma center on the Gulf Coast and the hub of the LSU system, serving a predominantly poor, uninsured population. 75 percent of its patients were African American, 85 percent had annual incomes below $20,000, and 50 percent of inpatient care was for people without insurance compared to 4 percent at other local hospitals. Charity was also the dominant provider of substance abuse, psychiatric, and HIV/AIDS care in the New Orleans area. Two thirds of Katrina evacuees in Houston, Texas reported that they relied on a hospital or clinic as their source of care and 60 percent relied on the Charity Hospital System. When Charity Hospital was demolished, these residents had nowhere else to turn.[5]

In Louisiana, Medicaid was not only a system of health care coverage for low income people, but also a system of financing care. In 2004, 20 percent of all Medicaid spending in Louisiana was for disproportionate-share hospital (DSH) funds, compared to a national average of 6 percent. The bulk of those funds went to Charity Hospital. This created a dependence on institutional hospital care for the poor because states generate DSH dollars based on inpatient volume. Before Katrina, Charity Hospital already faced shrinking public resources and lacked the capital to make infrastructure improvements. One area in which Louisiana did outpace the rest of the country was in the number of hospital beds (4 beds per 1,000 people compared with the national average of 2.8). Most of these beds were in New Orleans, but Charity Hospital had a much higher occupancy rate than other hospitals in the city.[6]

Health Care in New Orleans After Katrina

Hurricane Katrina devastated the health care infrastructure and provider base in New Orleans. The number of hospital beds in the city dropped by approximately 80 percent. Charity Hospital was demolished, leaving thousands of chronically ill patients stranded and limiting the state's ability to secure more DSH funds. Many evacuees were trapped in their homes or lived on a street or overpass with no food, water, or medical care.

6,000 physicians were displaced from the Gulf Coast region and most of the 1,300 medical students at Tulane University and LSU transferred to other schools leaving no pipeline of new physicians to replace the ones who had left. Meanwhile, the uninsured population tripled from 3 percent to 9 percent. Much of the uncompensated care was voluntarily absorbed by private hospitals which were not reimbursed accordingly, creating tremendous strain on the health care system as a whole. 200,000 people lost their health insurance statewide and most of the workers who reconstructed New Orleans did not have health insurance either. As of April 2006, the 86,000 evacuees who carried their Louisiana Medicaid with them to other states were told that they would lose coverage unless they qualified for Medicaid in their new state.[7]

The response from all levels of government was sorely inadequate. No assistance came for days and Charity Hospital soon became a morgue. Eventually, the federal government stepped in, offering an initial 1.5 billion in aid for 32 states that established Medicaid programs and uncompensated care funds or provided medical care to evacuees from August 24, 2005 (when residents first began to evacuate) through January 31, 2006. $383 million of this appropriation was designated for Louisiana. Yet, local hospital officials expressed concern that while generous, these funds were insufficient. Congress had designated a total of $2 billion for this purpose with the remaining $0.5 million to be reserved for future costs. Still, seven months after Katrina, only three facilities- Ochsner Clinic Foundation, East Jefferson General Hospital, and West Jefferson Medical Center remained open to shoulder most of the state's healthcare burden. [8]

What Went Wrong?

All levels of government could have handled Hurricane Katrina more efficiently. At the local level, New Orleans Mayor C. Ray Nagin made the mistake of waiting until the last minute to make evacuation mandatory. To his credit, Nagin orchestrated a successful evacuation plan for roughly 80 percent of residents who did have cars, but he failed to provide assistance to the 100,000 New Orleaneans with no private means of transport. Furthermore, the shelters did not offer food or water. Once the hurricane hit, Nagin was trapped in the Hyatt Regency Hotel for three days and had no way of communicating with state or federal officials.[9]

At the state level, Louisiana Governor Kathleen Blanco did a thorough job of preparation before the storm, but once Katrina made landfall she panicked and did not succeed in collaborating with local and federal officials. When Blanco called Washington for federal assistance, she could reach neither President George W. Bush nor Andrew Card, his chief of staff. Once she finally got the president on the line, Blanco was unable to give him specifics about what supplies she needed because she could not obtain this information from Nagin or his surrogates. Some have questioned whether Blanco was forceful enough in her interaction with Bush. If she had been more assertive and well prepared during her conversation with the president, would people have been rescued from Charity Hospital more quickly? There was also a formidable struggle for power between the two chief executives. On Air Force One, Bush asked Blanco if she would relinquish control of local law enforcement and the National Guard troops she had under her command. He sent Blanco a Memorandum of Understanding to secure her permission, but the governor refused to sign it. She figured Bush wanted to get credit for a relief operation that was finally showing progress.[10]

The Federal Emergency Management Agency (FEMA) has received the most criticism for its handling of Katrina. FEMA became a dysfunctional agency when it was merged under the Department of Homeland Security (DHS) in 2001 which created substantial changes in federal-state-local relationships regarding emergency management. DHS was formed in response to the 9/11 terrorist attacks and many of the strategies for combating terrorism are not effective for dealing with natural disasters. Since 9/11, FEMA had been neglecting natural disasters in favor of terrorism. Every dollar spent on natural disasters, including Katrina, had originally been earmarked for anti-terrorist purposes.[11]

FEMA Director Michael Brown was incompetent in his handling of Katrina. Brown was a patronage political appointment with no experience in emergency management. He waited five hours after Katrina made landfall before sending 1,000 federal workers to deal with the aftermath. Supplies from foreign nations were not allowed to enter New Orleans until FEMA figured out what to do with them. Brown promised debit cards to hurricane survivors which never came; however, debit cards from the American Red Cross did arrive.[12]

While Brown became the national scapegoat for Katrina, his boss DHS Secretary Michael Chertoff may deserve more of the blame. The DHS National Response Plan (NHP) assumed that state and local officials would be responsible in the first 72 hours after a national disaster; however, Katrina quickly exhausted state and local resources and there was no one to fill that 72 hour gap. The NHP was drafted with little state or local participation and the roles of different levels of government were unclear in the Plan.[13] No one seemed to know what their responsibilities were or how to evaluate whether others were fulfilling theirs. Had the NHP instructed the federal government to intervene immediately, Katrina may not have been such a catastrophe.

Thomas Berkland et. al. suggests that the "style of federalism" can help explain the "failure of government initiative" in dealing with Katrina. On one hand, there was a "move toward centralization of homeland security within the federal government." DHS had become the secretariat for 23 agencies whose missions were not aligned with each other. At the same time, there was a "creation of plans [such as the NHP] where state and local governments retain considerable responsibility under the Constitution and under relevant regulation and legislation." In other words, states were being asked to do more in a natural disaster even though they were left out of the planning process. Berkland concludes that "cutting out state and local governments has deprived the federal government of a considerable amount of expertise and undermines the prospect of states handling disasters first and only seeking federal assistance if necessary." If states are going to be held responsible in the first 72 hours following an event such as Hurricane Katrina, they should also be involved in the formation of a response plan.[14]

Health Care in Louisiana Today: An Opportunity Missed

Hurricane Katrina provided an opportunity to reconstruct New Orleans' health care system from the bottom up, but six years later Charity Hospital has not been rebuilt, Louisiana's tiered system of health care remains in place, and New Orleans' health statistics remain the same. Federal officials tried to coax the state into redirecting the DSH money toward expanding insurance options for the poor and even offered a federally backed subsidized insurance product that would have covered the uninsured and included primary care. Yet, LSU rejected this proposal because DSH funds were the largest source of funding for the state hospital system, a major

rainmaker for LSU. The state counterbalanced the intergovernmental conflict by working with the U.S. Department of Veteran Affairs on a successful plan to build replacement hospitals.[15]

Recommendations for the Future

In order to ensure that future natural disasters are dealt with more responsibly and efficiently, changes need to take place across the board. Immediately following Katrina, The Pew Center on the States recommended a "*new* New Federalism" that would entail the assembly of a visioning team for New Orleans and the Gulf Coast. Such a team would include all levels of government, highly skilled representatives of the non-profit sector, experts in hydrology and flood control, transportation and housing, builders, insurers, mortgage bankers, and most importantly, direct victims of the flood. The Pew Center also recommended use of electronic town meetings to engage communities, Geographic Information Systems (GIS) which can demonstrate what infrastructure changes mean for communities, and visualization techniques that enable people to see how development choices will look in their towns and neighborhoods.[16]

Many lessons can be learned from the aftermath of Katrina. First, there must be more state involvement in the creation of federal emergency management guidelines. Governor Blanco followed her state's emergency plan to the letter, but was clearly unaware of the holes in DHS's plan. Second, there needs to be better communication between all levels of government during a natural disaster. Blanco should have been able to discern New Orleans' needs from someone on the mayor's staff even though Nagin himself was unavailable. The president also did a poor job of responding to Blanco's call and FEMA did not follow through on its responsibilities. Third, the tiered system of health care in Louisiana is discriminatory. In a disaster, this system causes those without to go without and creates separate, but unequal access to services. Fourth, LSU's decision to retain the tiered system illustrates the powerful role financial interest play in health policy.

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