



Louisiana State University System
3810 West Lakeshore Drive
Baton Rouge, Louisiana 70808

Office of Internal Audit

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February 25, 2015

Memorandum

To: Dr. Daniel Layzell, Vice President Finance and Administration and CFO
Mr. Thomas Skinner, General Counsel

From: Chad Brackin, Chief Auditor 

Re: Review of Dr. William Cassidy's LSU Health Sciences Center Compensation

Initiation of the Review

During the 2014 campaign for the United States Senate, Senator Landrieu's campaign raised concerns of improprieties related to Dr. William Cassidy's part-time employment with LSU Health Sciences Center. Specifically, it was alleged that Dr. Cassidy did not "earn" his salary from the Health Sciences Center. This allegation is predicated primarily upon timesheets produced in response to a public records request which reflected less than asserted required effort and which purportedly indicated that his Congressional and Health Sciences Center schedules conflicted. On December 1, 2014, in response to these allegations, we initiated a review of Dr. Cassidy's employment arrangement with the Health Sciences Center. The focus of our review was to gather facts to facilitate a determination as to whether the services provided by Dr. Cassidy were commensurate with his pay independent of any asserted records deficiencies.

Finding

Although Dr. Cassidy's effort was not adequately documented by the Health Sciences Center, sufficient facts and information exist to conclude that Dr. Cassidy provided services equal to at least that of his compensation for his part-time educational work.¹

Background

Dr. Cassidy, as a physician, is trained in Internal Medicine with specialization in Gastroenterology and Hepatology. He joined the LSU Health Sciences Center faculty in 1990, was promoted to Clinical Associate Professor in 1996, and was granted tenure in 1997. As a practicing hepatologist, Dr. Cassidy has extensive

¹ Analysis regarding the value of quantifiable services is included in Appendix A.

experience treating patients with liver disease, especially those due to complications from viral hepatitis. His activities during his employment at LSU included providing clinical services to patients, teaching residents and medical students, publishing in relevant industry journals, conducting community outreach, and participating in research activities. Dr. Cassidy remained a full-time faculty member with LSU Health Sciences Center until January 6, 2009.

Documents reflect that after his election to the United States House of Representatives in late 2008 and upon his swearing-in in early January 2009, Health Sciences Center management, recognizing that Dr. Cassidy could no longer work full-time for the Health Sciences Center, made a determination that continuation of his employment on a greatly diminished basis would further the University's educational interests. At that time, there was considerable discussion of the services to be provided by Dr. Cassidy, his rate of pay, and the related level of effort for work to be performed subsequent to his taking Congressional Office in January 2009. It does not appear that agreed upon services were ever formalized in a written agreement or letter of reassignment which would have been a better procedure.

Absent a formal agreement, we reviewed existing informal documentation as well as other personnel and payroll records in an attempt to discern the nature and conditions of Dr. Cassidy's employment. We made extensive requests of Health Sciences Center management for records and, although we cannot independently have complete assurance that all relevant documents have been provided, we believe management has been sufficiently responsive. The following paragraphs constitute our summation of the records we reviewed regarding establishment of the part-time employment arrangement.

Establishment of Dr. Cassidy's Responsibilities, Compensation, and Level of Effort

In establishing the employment parameters, consideration was given to regulations, both state and federal, potentially relevant to Dr. Cassidy simultaneously holding the elective office of U.S. Representative as well as part-time employment with the Health Sciences Center. Consequently, the Health Sciences Center's attempt to comply with these regulations impacted the structure of the employment arrangement that existed from January 2009 through March 2014. (Dr. Cassidy took an unpaid leave of absence from the Health Sciences Center effective March 31, 2014). The two primary regulations considered were: 1) the U.S. House of Representatives rules which restrict the dollar amount (\$26,550 for 2009) of outside income that can be earned by a member of the House and 2) Louisiana's Dual Officeholding and Employment Laws. No determination as to the applicability of either the House rules or Louisiana's Dual Officeholding Laws to Dr. Cassidy's situation is needed here; however, Health Sciences Center management at the time appears to have determined that these did apply. Given this, the Dual Officeholding Laws provide for a number of exceptions to limitations on holding particular combinations of public employment and/or public office simultaneously, one of which states that the law does not prohibit a person employed in a professional educational capacity from at the same time holding an elective or appointive office. Therefore, ensuring that Dr. Cassidy's employment with the Health Sciences Center fell within this exception, along with the House restrictions on outside compensation, appeared to be key factors and the focus in the development of the employment arrangement.

To satisfy the exemption in Louisiana's Dual Officeholding Laws, Health Sciences Center management directed that the services to be agreed upon should primarily consist of activities that are educational in nature. Management also directed that the then Health Sciences Center Earl K. Long (EKL) Medical

Director in Baton Rouge would “establish the duties and responsibilities to be performed by Dr. Cassidy *in support of LSU educational programs* (emphasis added).” It does not appear, however, that these duties and responsibilities were ever formally documented. The best indication of what these duties and responsibilities were to include is contained in emails during January and early February 2009. These emails reflect discussion of services to be provided by Dr. Cassidy to primarily include patient care/resident supervision at EKL in the hepatitis clinic as well as serving as a “collaborating physician” for the Nurse Practitioner for work at the EKL clinic and at Department of Correction facilities.

Dr. Cassidy’s compensation amount appears to have been established prior to a determination of what his reduced level of effort was to be. This was primarily driven by the relatively low level of outside income allowed by the House rules. The limit was noted numerous times in internal communications to be \$25,000 although the House Ethics Manual indicates that it was actually \$26,550 for 2009. According to the Health Sciences Center School of Medicine - Baton Rouge Business Manager (Business Manager), Dr. Cassidy’s compensation was set at \$20,000 to provide a buffer, giving additional assurance that his pay would not exceed the House limit.

The level of effort for Dr. Cassidy as reflected by payroll documents is “20% of full time.” This accounting-focused determination of the level of effort appears to have been calculated based on two main factors: 1) by dividing the anticipated part-time pay (\$20,000) by Dr. Cassidy’s base full-time salary of \$100,002, and 2) by averaging the amount of time (5 to 10 hours per week) Dr. Cassidy estimated he spent during the month of January 2009 on Health Sciences Center business, including clinical activity at Angola, LSU Healthcare Network private practice, discussing research issues and patient care issues with his research coordinator and Nurse Practitioner, speaking to residents and taking internet courses in research ethics required by the IRB. Available documents do not provide any explanation as to why only Dr. Cassidy’s base, not total, compensation was considered in this accounting-focused determination of an appropriate level of effort. His part-time pay represents 6% of his total full-time annual compensation (prior to the reduction in effort) of \$340,422. This full-time compensation amount was comprised of his base as well as supplemental pay for his work on contracts at EKL, Louisiana State Penitentiary (Angola), and the LSU Healthcare Network faculty group practice.

To determine the objective reasonableness of Dr. Cassidy’s pay, we compared his part-time pay and level of effort to similarly situated Health Sciences Center School of Medicine employees. We analyzed the salary information for Dr. Cassidy in addition to 20 other faculty (non-gratis) clinical physicians who were less than 50% level of effort and in departments that were not hospital-based to ensure the comparison was done on individuals similarly situated to Dr. Cassidy. Our analysis identified three other physicians whose salary was paid strictly as a percentage of their base. All others consisted of some combination of base pay and supplement. We also compared each physician’s total salary to the Association of American Medical Colleges (AAMC) mean compensation for their respective academic rank and specialty, excluding both the highest and lowest percentages so as to not skew the data. The average compensation for those Health Sciences Center physicians, adjusted for effort, was 74% of the mean while Dr. Cassidy’s part-time salary represented 34% of the mean, indicating that Dr. Cassidy was paid significantly less than what a similarly situated Health Sciences Center School of Medicine faculty member would likely be paid for comparable services. This analysis is wholly independent of his full-time compensation level.

Monitoring of Dr. Cassidy's Performance

In January 2009, the Health Sciences Center Vice Chancellor of Administration and Finance provided guidance in the form of an email to the EKL Medical Director and Dr. Cassidy that Dr. Cassidy's "effort should be documented and monitored and appropriate adjustments to percent of effort made, if needed, in a timely manner." He also directed that actual hours worked be documented and that work performed be certified by the Medical Director monthly. However, based on the documents provided by the Health Sciences Center, this appears to only have partially been done as no records have been provided that indicate the presence of a formal, comprehensive system to track Dr. Cassidy's effort in accordance with that guidance.

Because a formal documented tracking system was not in place and available for review, to gain reasonable objective assurance that Dr. Cassidy did, in fact, perform the services for which he was paid, we gathered available documentation and conducted interviews of those with knowledge of the provision of those services. Documentation included, to the degree that they were available, the following: 1) Health Sciences Center contracts with Our Lady of the Lake Regional Medical Center (OLOL) and the Louisiana Department of Corrections, 2) timesheets, 3) emails and other correspondence, 4) payroll file records, 5) personnel file records, and 6) patient billing data and billing sheets. We also conducted interviews with members of Health Sciences Center management and finance staff, Health Sciences Center School of Medicine employees located in Baton Rouge including the Associate Dean, the Internal Medicine Department Head, Business Manager, and Nurse Practitioner, and well as the OLOL Clinic Manager and the Louisiana Department of Corrections Medical Director. We did not interview Dr. Cassidy although we did provide him that opportunity through his staff.

From January 2009 through March 2013, Dr. Cassidy primarily worked in EKL clinics providing patient care, resident supervision and provided physician oversight on Health Sciences Center contracts with the Louisiana Department of Corrections by serving as a "collaborating physician" for the Nurse Practitioner who had primary responsibility for seeing hepatitis patients in the prisons. In April 2013, the EKL clinic closed and was moved to OLOL. Dr. Cassidy continued to provide patient care and resident supervision as he had previously at EKL with the exception of liver biopsies, which are now performed by another department of OLOL.

Earl K. Long/OLOL Clinics

The Health Sciences Center used timesheets completed by clinical faculty as a means to support billing on physician services agreements. For those faculty receiving no salary supplement such as Dr. Cassidy, timesheets are not used for payroll purposes. Therefore, Dr. Cassidy's timesheets were not used to support or justify any payments made to him by the Health Sciences Center for his part-time work. However, in accordance with the requirements of an agreement between the Health Sciences Center and the LSU Health Care Services Division (HCSD) initially and later OLOL, timesheets should have been prepared for EKL from July 2012 to March 2013 and at OLOL from April 2013 to March 2014. No timesheets were completed for Dr. Cassidy's work on the Department of Corrections contracts as it appears that none were required by the contract. In all, six timesheets were provided for Dr. Cassidy's work at EKL, one for each month from July 2012 through December 2012. Each timesheet reflects Dr. Cassidy's signed name and an average of five hours of specified and designated work per week. No

timesheets were provided for the period January 2009 through June 2012 as it appears that this was not a requirement of prior agreements with HCSD.

As detailed below, for the time period between January 2013 and March 2014, timesheets were either missing or lacked certification by Dr. Cassidy and his supervisor. Timesheets were missing for the period of January 2013 through March 2013, November 2013, and December 2013. When the EKL clinics moved to OLOL in April 2013, the hepatitis clinic was staffed on Tuesday mornings. Dr. Cassidy was one of three physicians, along with residents, to staff the clinic. Scheduling was worked out among the physicians such that Dr. Cassidy would be scheduled for clinic two to three times a month. We were provided 10 timesheets for Dr. Cassidy related to his work in the OLOL clinic. These timesheets were only intended to capture work on the OLOL contract and, again, would not have included any efforts related to supervision of the nurse practitioner and the Department of Corrections contracts. However, even for only the OLOL clinic work, the timesheets appear to be of limited materiality or value for documenting Dr. Cassidy's actual time worked. Three of the timesheets were signed by the Business Manager for Dr. Cassidy with all others being unsigned. None of the timesheets for the OLOL clinic were signed by Dr. Cassidy himself. The Business Manager acknowledged that he prepared the timesheets for Dr. Cassidy and stated that he did so after verifying with clinic staff the physician schedule and inquiring as to whether Dr. Cassidy was in clinic for a particular month. He stated that he recorded those hours based on the best recollection of the staff, and if the staff did not recall or Dr. Cassidy was not scheduled, he did not prepare a timesheet for that month. Differing understandings were communicated to us from the School of Medicine – Baton Rouge management and staff as to whether hours recorded on the timesheets represents time Dr. Cassidy was physically in the clinic. Some explained that a portion of the hours recorded could have been worked outside of the clinic for the benefit of the LSU OLOL contract. Others thought that the hours recorded would represent time physically in the clinic.

As noted above, given the lack of a reliable documentary tracking system, we gathered additional available information through interviews and records requests. We interviewed Health Sciences Center employees located in Baton Rouge including the Associate Dean, the Internal Medicine Department Head (Dr. Cassidy's immediate supervisor), Business Manager, and Nurse Practitioner. All interviewed expressed satisfaction with Dr. Cassidy's work and stated that it was their belief that his pay was fully justified and supported by the services provided.

We also verified with the OLOL Clinic Manager that Dr. Cassidy does regularly attend clinic. She stated that, although she does not manage the physicians' schedules, she is aware that Dr. Cassidy is physically present for clinic at least twice per month. She also confirmed that his responsibilities for that clinic are primarily related to teaching and serving as the collaborating physician for the Nurse Practitioner. She stated that Dr. Cassidy loves to teach and is very good at it; she also indicated that she always knows when he has been in clinic because the white board is filled with his notes from instruction given to residents. She also recounts having observed the Nurse Practitioner contact Dr. Cassidy by phone at times when he was not scheduled for clinic to discuss patient care. We obtained resident schedules from July 2012 through December 2014 and confirmed that residents (usually three or four) were actually scheduled in the hepatitis clinic on Tuesday mornings. It was also noted that, although Dr. Cassidy has not received compensation from the Health Sciences Center since March 2014, he has

continued to provide patient care and resident supervision in the OLOL clinic and to serve as a collaborating physician for the Nurse Practitioner.

Although Dr. Cassidy received no additional income from patient billings, the Health Sciences Center did bill for patient care provided by Dr. Cassidy. We therefore reviewed information related to patient encounters at the EKL/OLOL clinics. We obtained a list of charges billed under Dr. Cassidy's provider number from January 2009 through March 2014. We also selected a sample of the supporting billing sheets to confirm Dr. Cassidy's presence. The following was noted regarding the frequency and volume of patient contacts at the clinic independent of other educational duties not involving patient contact and his collaboration with the Nurse Practitioner:

- There were 214 distinct dates where charges were generated for Dr. Cassidy's clinical services, resulting in an average of 3.4 days per month for which patient billing occurred indicating that he was either in clinic or performing liver biopsies (until EKL closed).
- There were 1,286 encounters involving 833 individual patients, averaging 6 encounters per day worked.
- Dr. Cassidy's presence in the clinic and performing liver biopsies (until EKL closed) generated an average of \$35,000 in annual charges and \$9,000 in collections for the Health Sciences Center.
- At least 60% of the patient contacts for sampled billing sheets had documented evidence of the involvement of a resident, along with Dr. Cassidy.

Louisiana Department of Corrections

The Louisiana Department of Corrections has for many years contracted with Health Sciences Center for health care services for prison inmates. Three such contracts with deliverables related to the provision of care to hepatitis patients are represented to have been, at least in part, satisfied with physician oversight and physician/Nurse Practitioner collaboration provided by Dr. Cassidy. These contracts require the Nurse Practitioner, for whom Dr. Cassidy serves as a collaborating physician, to provide services on-site for a minimum number of days per month, plus teleconferencing for one of the contracts. Nurse practitioners providing these services are required to collaborate with a medical doctor. Two of these contracts provided funds specifically for physician oversight. Annual contract amounts for only the physician oversight portion of the contracts was \$25,000 for one and \$15,000 for the other.

We contacted the Medical Director for the Louisiana Department of Corrections who confirmed that services are provided by the Nurse Practitioner and Dr. Cassidy in accordance with the contract requirements. He indicated that he is aware that Dr. Cassidy's involvement with direct patient care was significantly reduced after his election to Congress and that his role since has been to serve remotely as the collaborating physician for the Nurse Practitioner who conducts hepatitis clinics in the prisons. The Department of Corrections Medical Director also stated that he observed a number of emails regarding prisoner care that reflect collaboration between Dr. Cassidy and the Nurse Practitioner. Maintenance of documentary timekeeping records for the physician collaborations does not appear to be a usual practice.

The Nurse Practitioner, who estimated that approximately 75% of her responsibilities related to satisfaction of deliverables on the Department of Corrections contracts, described to us frequent contact with Dr. Cassidy regarding this work. She indicated that this contact was mostly by telephone or email, although she stated that she does meet with him in person regularly but less frequently than when he was full-time. To gain reasonable assurance that Dr. Cassidy was, in fact, in regular communication with the Nurse Practitioner and consequently performing the oversight function, we documented that approximately 160 email communications occurred between Dr. Cassidy and the Nurse Practitioner related to patient care during the period from January 2012 through March 2014. We did not attempt to verify telephone calls or contact by any other means which may have revealed additional contact.

Recommendation

Should the Health Sciences Center and Dr. Cassidy agree that Dr. Cassidy's continued part-time employment is mutually beneficial, duties and responsibilities as well as system for measuring performance of those should be formally established by written agreement. The system should reasonably capture services provided and require certifications by Dr. Cassidy as well as that of a supervisor with knowledge of the performance taking into account the reasonable flexibility of a physician performing these types of duties in an educational context. All relevant documents should be retained in accordance with Health Sciences Center policy.

Management's Response

Attached to this report is a letter dated February 24, 2015, from Chancellor Hollier representing management's response. Dr. Hollier's letter includes as an attachment a personal response from Dr. Cassidy.

If we can provide further assistance or should you need additional information, please do not hesitate to contact me.

c: Dr. F. King Alexander, President and Chancellor
Dr. Larry Hollier, Chancellor - LSU Health Sciences Center New Orleans
Dr. Steve Nelson, Dean - LSU Health Sciences Center New Orleans School of Medicine
Ms. LaKenya Collins, Director of Internal Audit

Appendix A

Value of Quantifiable Services Provided by Dr. William Cassidy for Fiscal Year 2009 (Jan 2009 -Jun 2009) through Fiscal Year 2014

Fiscal Year	EKL/OLOL Clinic Billings			DOC	Value of Quantifiable Services (EKL/OLOL and DOC) ³	Salary Paid	Difference
	Actual WRVUs	MGMA Median Compensation per WRVU ¹	Value Based on MGMA Benchmark				
FY 2009	136.94	71.79	\$9,831	\$6,456	\$16,286	\$10,000	\$6,286
FY 2010	366.90	75.60	\$27,738	\$15,601	\$43,338	\$20,000	\$23,338
FY 2011	321.92	56.00	\$18,028	\$19,367	\$37,394	\$20,000	\$17,394
FY 2012	372.75	60.45	\$22,533	\$19,367	\$41,899	\$20,000	\$21,899
FY 2013	235.87	66.68	\$15,728	\$19,367	\$35,094	\$20,000	\$15,094
FY 2014	96.56	63.28	\$6,110	\$14,202	\$20,312	\$15,000	\$5,312
Minimum value provided above salary paid:							\$89,323

¹Source: *MGMA Academic Practice Physician Compensation and Production Surveys - 2009 through 2014*. Median compensation per wRVU was not available for Hepatology in 2012, therefore we used Infectious Disease specialty value as the benchmark given it was the most similar to Hepatology for years where both were reported. Work relative value units, or wRVUs, are assigned by the Centers for Medicare and Medicaid Services (CMS) based on procedure code. The wRVU is a measure that considers the relative level of time, skill, training, and intensity required for a physician to provide a given service. Many practices incorporate wRVUs when evaluating the productivity of physicians because they are more indicative of actual work performed than number of encounters, or patient visits. Numerous industry organizations publish wRVU benchmarks by specialty and setting (academic or private practice) based on survey results. This allows management to compare a physician's total wRVUs for the year to the published benchmark(s) for others in a similar situation. The commonly reported wRVU benchmarks are for the 25th percentile, 50th percentile (or median), average (or mean), 75th percentile, and 90th percentile. Industry guidance suggests using the median values, as they are not influenced by outliers.

²Includes physician oversight for Department of Corrections (DOC) contracts for Hunt and LCIW only and uses fair market values established by and agreed to in the contracts.

³The amounts noted represent the value of services provided by Dr. Cassidy to LSU Health Sciences Center that could be quantified. Other than his annual salary of \$20,000, Dr. Cassidy received no additional payment for these services. No inference regarding the actual amount of effort expended for various duties, particularly those related to education outside of direct patient care, should be made as we are not able to quantify all services provided, and therefore the value of those services are not included in the values shown.

**Review of Dr. William Cassidy's LSU Health Sciences Center
Compensation**

**ATTACHMENT:
MANAGEMENT'S RESPONSE**



OFFICE OF THE CHANCELLOR

SCHOOL OF ALLIED HEALTH PROFESSIONS
SCHOOL OF DENTISTRY
SCHOOL OF GRADUATE STUDIES
SCHOOL OF NURSING
SCHOOL OF MEDICINE IN NEW ORLEANS
SCHOOL OF PUBLIC HEALTH

February 24, 2015

Chad Brackin
Chief Auditor, Office of Internal Audit
Louisiana State University System
3810 West Lakeshore Drive
Baton Rouge, LA 70808

Dear Chad,

We reviewed the draft report regarding the review of Dr. William Cassidy's LSU Health Sciences Center's compensation conducted by your office. I appreciate the effort and thoroughness that you placed into compiling this report. It is an incredibly detailed report, and I completely concur with the findings and recommendation.

Dr. Cassidy's service to the Health Sciences Center has been beneficial to the University's excellence in patient care, mastery in teaching, and continuous learning. The University desires to continue this beneficial relationship with Dr. Cassidy to the extent that Dr. Cassidy's Senate duties will allow.

Corrective Actions:

Should Dr. Cassidy be able to continue this relationship, the University will ensure that a letter of reassignment/formalized written agreement for any services that Dr. Cassidy is and/or may conduct in the future for the LSU Health Science Center is documented. Additionally, all required certification statements of services provided will be documented by Dr. Cassidy and his supervisor and retained in accordance with the University's retention schedule.

Estimated Completion Date:

Immediate: The corrective actions will be initiated upon indication from Dr. Cassidy that he would also like to continue the relationship.

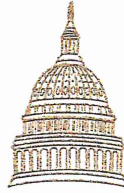
Please also find attached Dr. Cassidy's personal response to the report. If you have any questions, please do not hesitate to contact me.

Respectfully,

A handwritten signature in blue ink that reads "Larry Hollier, M.D.".

Larry Hollier, MD
Chancellor

pc: Dr. Steve Nelson
Ms. LaKenya Collins
Dr. Daniel Layzell
Mr. Thomas Skinner



BILL CASSIDY, M.D.

Hart Senate Office Building, Suite SH-703
Washington, DC 20510

February 23, 2015

To: Larry Hollier, M.D.

Re.: Employment Status with LSUHSC

Dear Dr. Hollier,

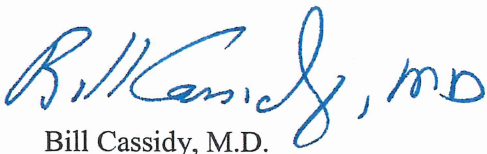
I appreciate LSU reviewing my employment with LSU Health Sciences Center (LSUHSC). I also appreciate being given the opportunity to respond. Based on that review, it appears established that:

- There is ample evidence and sufficient facts to conclude that I provided services equal to or in excess that of my compensation for my part-time educational work and to fully demonstrate my ongoing commitment to my duties even when Congressional responsibilities required my presence outside of Louisiana.
- In some cases, for example the Department of Corrections contract, LSUHSC received reimbursement they would not have been eligible for without my involvement.
- All who were interviewed expressed satisfaction with my work and stated that it was their belief that my employment was justified and supported by the services provided.
- The level of my commitment is documented by looking at charges generated by my clinical services, patient encounters and colleague collaboration.

If my understanding is not correct, then please contact me.

For the past 25 years, it has been a privilege to serve Louisiana as a teaching physician with LSUHSC. I look forward to continuing my relationship with LSUHSC pending approval from the U.S. Senate.

Cordially,


Bill Cassidy, M.D.