

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

Senate Bill 848 (Senator Lawlah, *et al.*)
 Budget and Taxation and Finance

Distressed Hospital Reform Act of 2004

This bill establishes the Disproportionate Share Hospital Payment Program within the Department of Health and Mental Hygiene (DHMH) to subsidize the costs of physician care provided in hospitals in underserved areas to uninsured patients. The bill also establishes the Distressed HealthCare Facility Grant Program within DHMH to provide grants to health care facilities with a significant uncompensated care burden.

The bill takes effect July 1, 2004 and terminates June 30, 2009.

Fiscal Summary

State Effect: DHMH general fund expenditures could increase by at least \$54 million in FY 2005. To the extent the Maryland Emergency Medical System Operations Fund (MEMSOF) provides funding to the Prince George’s Trauma Center, MEMSOF special fund expenditures would increase. Future year estimates reflect medical inflation. If DHMH awards an Academic Health Center Public Grant to Prince George’s Hospital Center, special fund expenditures would increase by \$2 million.

(\$ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	54	55	56	57	58
SF Expenditure	-	-	-	-	-
Net Effect	(\$54)	(\$55)	(\$56)	(\$57)	(\$58)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary:

Disproportionate Share Hospital Payment Program: The program must reimburse 50% of the documented costs of physician care provided in hospitals located in underserved areas to uninsured patients (see **Exhibit 1**). The Governor must provide sufficient funds in DHMH's budget to cover the costs of the program.

Distressed HealthCare Facility Grant Program: To be eligible for the program, a health care facility must have provided uncompensated care in the previous year that exceeded \$20 million or 20% of the health care facility's total revenue, and beginning July 1, 2004 and by July 1 each year, submit a report to DHMH documenting uncompensated care costs. DHMH must provide a grant of \$5 million annually to the health care facility that meets the requirements (see **Exhibit 2**). The grant may only be used to support ongoing operating expenses. The Governor must provide sufficient funds in DHMH's budget to cover the costs of the program.

Other Sources of Funding: The bill permits the Prince George's Hospital Center to apply for a Statewide Academic Health Center Public Health Grant. Each grant that is distributed to the hospital must be at least \$2 million. In addition, MEMSOF may be used to provide funds to the Prince George's Hospital Regional Trauma Center.

Current Law: Only the University of Maryland Medical Group (UMMG) and the Johns Hopkins Institutions (JHI) may apply for a Statewide Academic Health Center Public Health Grant. Each grant award is \$2 million annually. Rather than distribute a Statewide Academic Health Center Public Health Grant to UMMG or JHI, DHMH may distribute a grant to the Baltimore City Health Department or another person for the purpose of coordinating Baltimore City's cancer prevention, education, screening, and treatment efforts if the two hospital systems choose to not coordinate these efforts.

MEMSOF consists of registration surcharges and all funds, including charges for accident scene transports and interhospital transfers of patients, generated by an entity that is a unit of State government. The fund must be used solely for: (1) medically oriented functions of the Department of State Police, Special Operations Bureau, Aviation Division; (2) the Maryland Institute for Emergency Medical Services Systems; (3) the R Adams Cowley Shock Trauma Center at the University of Maryland Medical System; (4) The Maryland Fire and Rescue Institute; (5) the provision of grants under the

Senator William H. Amoss Fire, Rescue, and Ambulance Fund; and (6) the Low Interest Revolving Loan Account under the Volunteer Company Assistance Fund.

Background: On February 20, 2004, Prince George's County Executive Jack Johnson and Governor Robert Ehrlich, Jr. signed a memorandum of understanding (MOU) that initially provides \$25 million to Dimensions Health Care Systems, which operates the county's hospital system, and an additional \$20 million over the next four years. Prince George's County is providing \$10 million to Dimensions prior to June 30, 2004 and an additional \$5 million annually for the next four years.

The MOU establishes a five-member oversight committee that is comprised of three members selected by Prince George's County and two members selected by the State. The oversight committee must monitor Dimensions' operations.

The Health Services Cost Review Commission also approved a short-term rate order that will provide \$10 million for the hospitals during the next year. The Governor has also pledged \$5 million in State bond funding to pay for the hospitals' capital needs.

Statewide Academic Health Center Cancer Research Grants: Chapter 18 of 2000 created the Cancer Prevention, Education, Screening, and Treatment Program within DHMH. This program is funded with Cigarette Restitution Fund funds and distributes Statewide Academic Health Center Cancer Research Grants to UMMG and JHI for the purpose of enhancing cancer research activities.

State Fiscal Effect: DHMH general fund expenditures could increase by \$54,218,050 in fiscal 2005. Under the Disproportionate Share Hospital Payment Program, DHMH must reimburse hospitals in underserved areas 50% of physician costs to serve uninsured patients. There are 15 hospitals in designated underserved areas, and total uncompensated physician costs are \$48,436,100, of which, DHMH must reimburse half, or \$24,218,050.

Under the Distressed HealthCare Facility Grant Program, DHMH must provide a \$5 million annual grant to any health care facility whose uncompensated care in the previous year exceeded \$20 million or 20% of the facility's total revenue. There are six hospitals that reported uncompensated care over \$20 million; accordingly, DHMH would award \$30 million in total grants in fiscal 2005.

If DHMH awards Prince George's County Hospital System a Statewide Academic Health Center Public Health Grant, Cigarette Restitution Fund expenditures could increase by at least \$2 million.

To the extent MEMSOF provides funding to Prince George's Trauma Center, MEMSOF special fund expenditures would increase beginning in fiscal 2005.

Future year estimates reflect 4.1% general medical inflation.

Additional Comments:

Exhibit 1
Uncompensated Physician Costs at Hospitals in Underserved Areas
(Fiscal 2003)*

<u>Hospital</u>	<u>Uncompensated Physician Costs</u>
Johns Hopkins**	\$0
St. Agnes	10,620,600
Sinai	12,076,300
Bon Secours	3,831,600
Union Memorial	1,847,700
Harbor Hospital	563,000
Maryland General	6,158,500
University Hospital (includes Shock Trauma)**	0
Prince George's Doctors	8,596,700 675,200
Laurel Regional	1,501,500
Ft. Washington**	0
Peninsula Regional	1,274,000
McCready	766,300
Atlantic General	<u>524,700</u>
Total	\$48,436,100

*Mercy and Johns Hopkins Bayview reported profits in physician Part B data.

**No physician Part B data received from hospitals that are under a different corporation or separate entity from the hospital.

Exhibit 2
Hospital-reported Uncompensated Care in Underserved Areas
(Fiscal 2002)

<u>Hospital</u>	<u>Uncompensated Care</u>
University – Shock Trauma	\$31,000,000
University Hospital	57,235,169
Johns Hopkins Bayview	30,572,000
Johns Hopkins Hospital	60,938,000
Sinai	29,943,500
Prince George’s	26,254,900

Additional Information

Prior Introductions: None.

Cross File: HB 1313 (Delegate Gaines, *et al.*) – Health and Government Operations and Appropriations.

Information Source(s): Department of Health and Mental Hygiene (Health Services Cost Review Commission, Maryland Health Care Commission), Department of Legislative Services

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