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House Bill 967 – Task Force to Study Privatization of the University of Maryland Medical System

**Before the House Health and Government Operations Committee
March 2, 2020**

Letter of Information

The University of Maryland Medical System (UMMS) would like to provide information for the Committee's consideration about the background, history and development of the medical system. This information may be instructive and provide context for deliberations about HB 967.

As drafted, HB 967 would create an 18 member task force to study:

- the economic, educational, health, and legal effects on the State and its residents that would be caused by the full privatization of the University of Maryland Medical System, including the removal of State control and ownership;
- the market value of the University of Maryland Medical System; and
- comparable precedents, including the privatization of the Injured Workers' Insurance Fund.

Medical System Background

- UMMS is a private non-profit entity legally formed under the IRS rules.
- This can be a confusing issue.
- Granted, for 160 years (from 1823-1984) the University Hospital was state-owned institution, operated and financed as part of the University System of Maryland. However, that changed in 1984.
- At that time, the University of Maryland Medical System consisted solely of the University Hospital on Greene Street in Baltimore.
- This legislature determined to remove the Medical Center from state ownership and by statute created a non-profit corporation to address significant operating losses and challenges, a dormant capital program, obsolete technology, and an outdated, antiquated facility.

- The State and the General Assembly recognized that maintaining and operating the hospital as part of the University System of Maryland would be “unnecessarily costly and administratively cumbersome for the University to finance, manage, and carry out the patient care activities of an academic institution within the existing framework of a State agency, since many applicable laws, management structures, and procedures were developed to implement types of government functions which differ from the operations of a major patient care facility in an environment of State and federal regulation”, MD Annot. Code, Education Article, Section 13-302 (5).
- The Legislature recognized that patient care operations would be “more efficiently served by contemporary legal, management, and procedural structures utilized by similarly situated, private entities throughout the nation”. *Id.*
- Consequently, a decision was made to separate the operations, revenues and obligations of the Medical System from the State such that the Medical System would become a separate, self-supporting entity.
- A stated purpose of the transfer was to create a separate legal and organizational structure for the Medical System to provide independence and flexibility of management and funding.
- Thus, in 1984, the Maryland General Assembly, with the support of the University System of Maryland's Board of Regents,
 - adopted legislation separating the health care delivery components of the University of Maryland Baltimore and mandating their transfer to the Medical System, and
 - established a separate, private, non-stock corporation that would provide health services to the citizens of Maryland.
- The Enabling Legislation made clear that:
 - the Medical System is not a State agency, political subdivision, public body, public corporation or municipal corporation; MD. Annot. Code, Education Article, Section 3-303;
 - the obligations of the Medical System are payable only from the assets of the Medical System and are not the debts or obligations of the State; and
 - the Medical System is not subject to any provisions of law affecting only governmental or public entities.
- With this statutory change, UMMS began a long-term, process of continuous self-renewal with an emphasis on financial management, clinical program development, and capital investment. As a consequence, UMMS dramatically enhanced the System’s clinical programs, clinical quality, patient satisfaction, and overall delivery of care to the residents of this state.

- Today, largely in part because of this privatization effort, the Medical System is has grown to include:
 - UMMC, the academic medical center located in downtown Baltimore, and 12 affiliate hospitals located across Maryland:
 - University of Maryland Medical Center Midtown Campus
 - Baltimore Washington Medical Center
 - Shore Regional Health at Easton
 - Shore Regional Health at Dorchester
 - Shore Regional Health Chester River Hospital Center
 - Charles Regional Medical Center
 - Upper Chesapeake Medical Center in Belair
 - Harford Memorial Hospital
 - University of Maryland St. Joseph’s Medical Center
 - University of Maryland Rehabilitation and Orthopaedic Institute
 - UM Capital Region Health – Prince George’s Hospital
 - Mt. Washington Pediatric Hospital (a 50-50 ownership with Johns Hopkins)
 - and over 150 health care service delivery locations across the State.

Medical System’s Operations Post 1984

- For most of the past 36 years, UMMS received no general fund support from the state. That changed only with the acquisition of the Dimensions Health System
- Not unlike other not-for-profit hospitals in Maryland, UMMS does receive capital and some special fund support:
 - The Medical System has received capital funding in the form of State grants for specific capital projects. Most often, these projects have involved the University of Maryland Medical Center - the academic medical center - where the faculty from the University of Maryland School of Medicine provide patient care, train medical residents and conduct research.
 - The Medical System’ R Adams Cowley Shock Trauma Center receives approximately \$3 million each year from the Maryland Emergency Medical System Operations Fund (“MEMSOF”). MEMSOF was created by legislation adopted by the 1992 General Assembly.
 - And more recently, again as a result of the acquisition of UM Capital Region Health, UMMS is receiving capital funds to aid in the construction of the new regional medical center in Prince George’s County.

- The Medical System continues to operate independently, not as a state agency, a concept reinforced by the Legislature in 2019.

Respectfully submitted,

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