

Department of Legislative Services

Maryland General Assembly

2002 Session

FISCAL NOTE

Revised

Senate Bill 899

(Senator Lawlah, *et al.*)

Budget and Taxation

Environmental Matters

Prince George's Hospital System Improvement Task Force

This bill establishes a 22-member Prince George's Hospital System Improvement Task Force.

Fiscal Summary

State Effect: If Prince George's Hospital Center is acquired or subject to a bankruptcy proceeding, general fund revenues could increase by as much as \$2.5 million as early as FY 2003. Any expense reimbursements for task force members and staffing costs for the University of Maryland Medical System and the Office of the Chief of Staff of the Governor are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: Any staffing costs for the Office of the Prince George's County Executive are assumed to be minimal and absorbable within existing budgeted resources.

Small Business Effect: None.

Analysis

Bill Summary: The University of Maryland Medical System, the Office of the Chief of Staff of the Governor, and the Office of the County Executive in Prince George's County must provide staff for the task force. The task force must study and make recommendations regarding: (1) long-term funding and capital strategies for the Prince George's County hospital system; (2) an examination of the total management structure and operation of the system; (3) a re-examination of the relationship between the Prince George's County government and the hospital system; (4) enhancing existing clinical

programs, strengthening and improving the quality of information systems; (5) engaging the right partners and stakeholders in the reform process to achieve long-term change and success; (6) the environmental, strategic, and organizational factors identified by the University of Maryland Medical System in its recent review of Dimensions Health Corporation that have contributed to the deterioration of the financial condition of Prince George's Hospital Center; and (7) the identification of other relevant issues and possible solutions that the task force determines are important to the success of the hospital system.

The task force must report its findings and recommendations to the Governor and the Prince George's County Executive by September 30, 2004.

If Dimensions Health Corporation or the Prince George's Hospital Center is subject to acquisition on or before July 1, 2003, the Department of Health and Mental Hygiene (DHMH) must require that the State operating grant, in whole or in part, become immediately due and payable as a debt owed to the State. If Dimensions Health Corporation or Prince George's Hospital Center is subject to a bankruptcy proceeding on or before July 1, 2003, the State operating grant may not be considered an asset for the purposes of the bankruptcy proceeding and DHMH must require that the State operating grant, in whole or in part, become immediately due and payable as a debt owed to the State.

The bill takes effect June 1, 2002 and terminates September 30, 2004. If an acquisition of Prince George's Hospital Center takes place before September 30, 2004, the bill's task force provisions bill terminate.

Current Law: None applicable.

Background: The Prince George's Hospital Center (PGHC) has experienced approximately \$27.5 million in losses during its three most recent fiscal years. PGHC is the largest and most comprehensive hospital in Prince George's County, with 14,521 inpatient admissions, 2,941 newborn deliveries, 57,690 emergency room visits, 7,045 ambulatory surgeries, and 11,136 clinic visits in fiscal 2001. In response to the hospital's operating losses, the State's fiscal 2002 operating budget included a one-time only \$2.5 million grant to the PGHC to assist the hospital while it sought financial stability. No funds could be expended until PGHC, in consultation with an advisory panel, had submitted a report that outlines the need for the funds, a detailed spending plan, and a plan to achieve financial stability so that the State subsidy would not be needed beyond fiscal 2002.

DHMH issued a report on PGHC's need for the \$2.5 million grant to the General Assembly in November 2001. The report outlined several factors contributing to

PGHC's financial performance and the need for the State's grant including: (1) the hospital's disproportionate share of Medicaid and uninsured patients for which PGHC provided more than \$26 million in uncompensated care in fiscal 2002; (2) 2.3% of the hospital's uncompensated care was not covered by State-determined hospital reimbursement rates; (3) disproportionately high hospital cost inflation; (4) physician subsidies resulting in a \$7.1 million annual loss; (5) the Dimensions Healthcare System (PGHC's parent corporation) relationship with HMOs and Medicaid managed care organizations cost approximately \$7.1 million in fiscal 1999 and 2000; and (6) an unbudgeted \$5.4 million increase in nursing costs in fiscal 2001 due to the nursing shortage.

The report also outlined the long-term plan to restore PGHC's financial stability. The plan includes submitting a full rate review application to the Health Services Cost Review Commission (HSCRC), support from Prince George's County totaling \$5.5 million, and more long-term restructuring of PGHC operations with the guidance of Cap Gemini/Ernst and Young, a management consulting firm.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, Governor's Office, University of Maryland Medical System, Department of Legislative Services

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