

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1 (Delegate Busch, *et al.*)

Health and Government Operations

Finance

Maryland Trauma and Emergency Medical Response System - Funding and Structure

This bill establishes the Maryland Trauma Physician Services Fund (fund), the purpose of which is to subsidize the documented costs: (1) of uncompensated care incurred by a trauma physician in providing trauma care to a trauma patient on the State Trauma Registry; (2) of under-compensated care incurred by a trauma physician in providing trauma care to an enrollee of the Maryland Medicaid program who is a trauma patient on the State Trauma Registry; (3) incurred by a trauma center to maintain trauma physicians on call as required by the Maryland Institute of Emergency Medical Services Systems (MIEMSS); and (4) incurred by the Maryland Health Care Commission (MHCC) and the Health Services Cost Review Commission (HSCRC) to administer the fund and audit reimbursement requests to assure appropriate payments are made from the fund.

The bill takes effect July 1, 2003. The bill's provisions relating to reporting requirements terminate December 31, 2004.

Fiscal Summary

State Effect: Special fund revenues could increase in FY 2004 by \$5.9 million and special fund expenditures could increase by \$4.9 million (\$4.4 million for physician and trauma center reimbursement and \$433,900 for the health commissions). Medicaid federal fund expenditures could increase by \$1.9 million in FY 2004. Department of Transportation special fund expenditures could increase in FY 2004.

(\$ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
SF Revenue	\$5.9	\$6.0	\$6.0	\$6.1	\$6.1
SF Expenditure	4.9	6.2	6.3	6.4	6.4
FF Expenditure	1.9	2.0	2.2	2.3	2.5
Net Effect	(\$.9)	(\$2.3)	(\$2.5)	(\$2.6)	(\$2.8)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: MHCC and HSCRC must administer the fund. The fund is a special, nonlapsing fund that is not subject to State procurement law. The fund consists of a \$10 surcharge on driver's licenses and commercial driver's licenses. Disbursements from the fund must be made in accordance with a methodology established by MHCC and HSCRC to calculate costs incurred by trauma physicians and trauma centers that are eligible to receive reimbursement. The bill specifies certain criteria MHCC and HSCRC must take into account when establishing the reimbursement methodology. The total reimbursement to emergency physicians from the fund may not exceed \$250,000 annually. In order to receive reimbursement, a trauma physician or trauma center must apply to the fund on a form and in a manner approved by MHCC and HSCRC.

It is the intent of the General Assembly that trauma physicians and trauma centers must cooperate with MHCC and HSCRC by providing information required in a timely and complete manner in order to receive reimbursement. MHCC and HSCRC must report annually to the General Assembly on: (1) the amount of money in the fund; (2) the amount of money applied for by trauma physicians and trauma centers; (3) the amount of money distributed in the form of trauma physician and trauma center reimbursements; (4) any recommendations for altering the manner in which trauma physicians and trauma centers are reimbursed; and (5) the costs incurred in administering the fund.

A motor vehicle license applicant or licensee must pay the Motor Vehicle Administration (MVA) a \$10 surcharge for the issuance or renewal of a driver's license or commercial driver's license. All monies collected must be paid into the Maryland Trauma Physician Services Fund.

The bill also expands the membership of the panel to study the network of trauma centers participating in the State's Emergency Medical Services System from 15 to 30. In addition, the panel must make recommendations about the structure and funding of the State's Emergency Medical Response System. The bill specifies certain issues the panel must study, and requires the panel to submit an interim report by December 31, 2003 and a final report by December 1, 2004 to the Governor and specified committees of the General Assembly.

Current Law: An HMO must pay claims for covered services rendered to an HMO enrollee by a noncontracting trauma physician for trauma care at the greater of: (1) 140% of the rate paid by the federal Medicare program; or (2) the rate that the HMO paid in the same geographic area, for the same covered service, to a similarly licensed provider.

MHCC and HSCRC must conduct a study regarding the reimbursement of health care providers. The study, which is due on or before January 1, 2004, must include recommendations on such issues as the feasibility and desirability of developing a provider rate setting system, expanding the hospital rates setting system to include reimbursement of hospital-based physicians, and establishing an uncompensated care fund to subsidize reimbursements to providers, including trauma physicians, that deliver a disproportionate amount of uncompensated care.

Background: The adequacy of physician reimbursement for trauma care has been an issue for several years, particularly with the advent of managed care. Physician fees are not regulated in Maryland, and physicians may determine their own charges for services rendered and bill accordingly. However, managed care has severely limited what physicians may realistically charge. Commercial insurers, Medicare, and Medicaid all reimburse physicians according to each individual plan's fee schedule, irrespective of the physician's actual bill. As a result, some physicians who render trauma care are severely underpaid and other physicians may be reluctant to work in trauma centers, creating staffing problems. Some staffing problems may be severe enough to jeopardize the level of care provided at trauma centers, forcing downgrades in the level of care a trauma center is authorized to provide or even requiring trauma centers to close.

Professional fees for trauma physicians are generally collected in one of two ways. For trauma physicians who are employees/faculty members of the trauma center, the hospital bills for the physician's services and uses the revenues to cover, at least in part, the cost of the physician's salary and benefits. Trauma physicians who contract independently with a trauma center to provide their services typically bill for their trauma-related services directly, often in combination with the billing for their regular surgical practices.

In the absence of adequate reimbursement, trauma centers have been forced to subsidize physician income in order to ensure sufficient physician coverage. Every trauma center in Maryland is currently providing some level of subsidy, predominately in the form of on-call stipends that pay a physician a flat fee per day for the days a physician is on call. The stipends cost individual trauma centers from \$462,000 to \$876,000 annually to subsidize trauma surgeons.

MIEMSS classifies certain hospitals as either trauma centers or specialty referral centers, which specialize in such injuries as burns, eye trauma, or pediatric trauma. There are

nine trauma centers in Maryland. In addition, there are 24 specialty referral centers, of which two are pediatric trauma centers. From June 2001 to May 2002, the nine designated trauma centers and two pediatric trauma centers reported caring for 17,581 patients.

Trauma centers in such states as Pennsylvania, Nevada, and Oregon have been forced to temporarily close or downgrade their status due to staffing shortages, concerns about physician reimbursement, and rising medical malpractice insurance premiums. In Maryland, Washington County Hospital was forced to suspend its trauma program in June 2002 due to the inability of trauma physicians to provide the required 24-hour staffing. The program reopened in October 2002, but it was forced to downgrade from a Level II to a Level III trauma center. In recent months, Peninsula Regional Medical Center in Salisbury has expressed concerns about its ability to continue as a trauma center after July 1, 2003 due to similar staffing problems. Closures and downgraded status may compromise access to trauma care services, resulting in diversions to other trauma centers and delays in care.

To address these funding needs, Chapter 33 of 2001 established a panel to study the potential funding needs of trauma centers participating in the State's Emergency Medical Services System that do not receive funding under the Maryland Emergency Medical System Operations Fund (MEMSOF). Established in 1992, MEMSOF provides partial funding for MIEMSS, the Maryland Fire and Rescue Institute, R. Adams Cowley Shock Trauma Center, the Aviation Division-Maryland State Police, and the Amoss Fund through an \$11 surcharge to motor vehicle registrations. The panel was to submit a final report to the General Assembly by December 1, 2002. To date, the report has not been submitted.

State Revenues: Special fund revenues for the Maryland Trauma Physician Services Fund could increase by \$5.9 million in fiscal 2004. This estimate reflects the following facts and assumptions:

- 230,000 commercial drivers' licenses are issued in fiscal 2004 (initial and renewal);
- 360,000 noncommercial drivers' licenses are issued in fiscal 2004 (initial and renewal);
- the MVA imposes a \$10 surcharge on each license; and
- 1% annual increase in number of licenses issued.

State Expenditures:

Maryland Trauma Physician Services Fund: Special fund expenditures could increase by approximately \$4.4 million in fiscal 2004, which reflects a 90-day start-up delay. It is assumed that all revenues would be paid out to trauma physicians applying for reimbursement. Future year estimates reflect annualization and inflation.

Department of Health and Mental Hygiene: Medicaid expenditures could increase by \$1.9 million federal funds in fiscal 2004, which reflects a 90-day start-up delay. Based on MHCC estimates, the cost of funding the Medicaid shortfall in reimbursement for trauma physicians would be approximately \$3.8 million in fiscal 2004. This estimate is based on adjusting Medicaid reimbursement rates to 100% of Medicare reimbursement rates. Medicaid would reimburse trauma physicians and trauma centers at the new rate, and be reimbursed by the trauma fund for the \$1.9 million general fund expenditure. Future year expenditures reflect 6.7% medical inflation in the Medicaid program.

Special fund expenditures for MHCC and HSCRC could increase by an estimated \$433,892 for fiscal 2004. These costs would be split evenly between the two commissions, which are equally responsible for administering the fund. This estimate reflects \$400,000 to contract for reimbursement methodology design and the implementation of an audit system. It also reflects the cost of hiring one fiscal accounts technician to assist with collection, disbursement, and reconciliation of the fund. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$28,171
Contract for Methodology Design	200,000
Contract for Audit System	200,000
Other Operating Expenses	<u>5,721</u>
Total FY 2004 State Expenditures	\$433,892

Future year expenditures reflect: (1) \$50,000 annual maintenance fees for the audit system; (2) full salaries with 4.5% annual increases and 3% employee turnover; and (3) 1% annual increases in ongoing operating expenses.

Department of Transportation: MVA special fund expenditures could increase by a significant amount in fiscal 2004 only. The MVA must contract with a vendor to implement programming changes to the driver's license system. There are insufficient data at this time to reliably estimate any increase.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *2001-2002 Annual Report*, Maryland Institute of Emergency Medical Services Systems; Maryland Automobile Insurance Fund; Department of Health and Mental Hygiene (Maryland Health Care Commission, Health Services Cost Review Commission); Maryland Insurance Administration; Department of Legislative Services

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