HB 674

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 674 (Delegate Wood)
Health and Government Operations

Health - Maryland Trauma Center Services Fund - Establishment

This bill establishes the Maryland Trauma Services Fund to assure continued care of trauma patients on the trauma registry, in a trauma center that is: (1) designated by or contracts with the Maryland Institute for Emergency Medical Services Systems (MIEMSS) as the State primary adult resource center; (2) a Level I, Level II, or Level III trauma center; or (3) a pediatric trauma center, by subsidizing documented costs.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: Maryland Trauma Services Fund special fund expenditures would be $15 million in FY 2004. Special fund expenditures for the Maryland Health Care Commission (MHCC) and the Health Services Cost Review Commission (HSCRC) would increase by $433,900 in FY 2004 for administrative services. Future year estimates reflect inflation.

($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	$0	$0	$0	$0	$0
SF Expenditure	15.43	15.29	15.30	15.30	15.31
Net Effect	($15.43)	($15.29)	($15.30)	($15.30)	($15.31)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The fund provides subsidies for the documented costs: (1) to trauma center physicians or uncompensated care provided to trauma patients; and (2) to trauma centers of providing 24-hour per day on-call physician coverage.

The bill requires the Governor to appropriate $15 million in fiscal 2004 and each succeeding fiscal year to the fund. The fund is administered jointly by the Maryland Health Care Commission (MHCC), the Health Services Cost Review Commission (HSCRC), and MIEMSS. These entities must establish a six-member selection board to administer the fund. The board is staffed by MHCC.

Trauma centers may develop and submit to the selection board a proposal to alleviate the costs to physicians of uncompensated care or to trauma centers of providing round-the-clock on-call physician coverage. The selection board must evaluate the proposal based on certain relevant factors. Upon approval of a proposal, the selection board must appropriate money from the fund to the designated trauma center for implementation.

MHCC, HSCRC, and MIEMSS must submit a report to the General Assembly annually, which must include: (1) the amount of money in the fund; (2) the amount of money applied for by eligible physicians and trauma centers; (3) the amount of money distributed from the fund to physicians and trauma centers; (4) a description of any proposal approved or rejected by the selection board and the reasons for approval or rejection; and (5) any recommendations for altering the manner in which trauma physician uncompensated care costs and 24-hour per day on-call physician coverage costs are reimbursed.

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 at 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 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 Fiscal Effect:

Maryland Trauma Physician Services Fund: Special fund expenditures would increase by approximately $15 million annually beginning in fiscal 2004 under the terms of the bill.

Fund Administrative Expenditures: MHCC must staff the selection board that administers the fund. Its expenditures could increase by $433,892 in fiscal 2004, which accounts for a 90-day start-up delay. This estimate reflects a one-time $400,000 expenditure for contracting with a consultant to design and implement an audit system that is needed to ensure accuracy in physician and trauma center claim information. 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
Consulting Contract for Audit System	400,000
Operating Expenses	5,721
Total FY 2004 State Expenditures	**$433,892**

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/jr

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