SB 587

Department of Legislative Services

Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 587 (Senator Lawlah, *et al.*)
Finance

Maryland Trauma Services Funding Act

This bill establishes the Maryland Trauma Services Fund (the fund) to assure continued participation of trauma physicians and trauma centers in caring for trauma patients.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: Maryland Trauma Services Fund special fund revenues and expenditures would be $17.2 million in FY 2004. Medicaid expenditures could increase by $3.8 million in FY 2004 ($1.9 million general funds/$1.9 million federal funds). Department of Budget and Management (DBM) general fund expenditures and Maryland Institute of Emergency Medical Services System (MIEMSS) special fund expenditures could each increase by $125,000 for administrative expenses associated with the fund. General fund revenues increase by $344,000 from the 2% premium tax and the Maryland Insurance Administration (MIA) special fund revenues increase by $25,000 from the $125 rate filing fee. Future year estimates reflect inflation.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
GF Revenue	$344,000	$347,400	$350,900	$354,400	$358,000
SF Revenue	17,225,000	17,372,000	17,545,700	17,721,200	17,898,400
GF Expenditure	2,025,000	3,198,000	5,323,900	8,874,200	14,803,100
SF Expenditure	17,325,000	17,397,000	17,570,700	17,746,200	17,923,400
FF Expenditure	1,900,000	3,173,000	5,298,900	8,849,200	14,778,100
Net Effect	($3,681,000)	($6,048,600)	($10,296,900)	($17,394,000)	($29,248,200)

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: (1) the documented costs of trauma physician uncompensated care provided to trauma patients; (2) the documented trauma center cost of maintaining trauma physicians on-call and on standby; (3) the purpose of increasing the Medicaid fee schedule for payments made to trauma physicians; and (4) the unrecoverable costs of trauma center uncompensated care associated with providing trauma care to trauma patients. A trauma center includes: a primary adult resource center; (2) Level I trauma center; (3) Level II trauma center; or (4) pediatric trauma center that has been designated by MIEMSS to provide care to trauma patients.

The fund consists of a $4 motor vehicle liability insurance policy surcharge collected by insurers who offer, sell, or deliver motor vehicle liability insurance policies in the State. Each insurer annually must pay $4 into the fund for each vehicle registered in the State that the insurer covers. Insurers may recoup this fee from policy holders. The fund is administered by MIEMSS. 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 MIEMSS. MIEMSS and DBM must develop a methodology to fairly and equitably distribute the money in the fund.

DBM and MIEMSS must report annually to the General Assembly on the amount of money in the fund and the amount of money distributed to trauma physicians and trauma centers.

A health maintenance organization (HMO) must pay a claim submitted by a trauma physician for trauma care rendered to a trauma patient at the greater of: (1) 140% of the rate paid by the Medicare program to a similarly licensed provider; (2) the rate as of January 1, 2003 that the HMO paid in the same geographic area for the same covered service; or (3) the contracted rate at the time the service is provided.

The Health Services Cost Review Commission (HSCRC) must submit to the Governor and the General Assembly by August 1, 2003 a report on the status of including in-hospital rates funding for physician on-call availability and regulatory requirements for MIEMSS trauma center.

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.

The Maryland Health Care Commission (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 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 to the Maryland Trauma Physician Services Fund are estimated at approximately $17.2 million in fiscal 2004. This estimate assumes insurance carriers will pay a $4 fee for each of the 4.3 million private passenger and commercial vehicles registered and insured in the State. Future year estimates reflect 1% annual inflation in the number of policies issued.

MIA: Special fund revenues could increase by approximately $25,000 from rate filing fees in fiscal 2004 only. General fund revenues from the 2% premium tax are expected to increase by $344,000 in fiscal 2004 and each year thereafter. These estimates are based on the following facts and assumptions:

- all carriers pass the $4 fee onto policy holders in the form of increased premiums;

- premiums increase by $17.2 million;

- 200 carriers (100 personal auto insurance carriers and 100 commercial auto insurance carriers) would need to revise their rates and file them with MIA; and

- each rate filed with MIA is subject to a $125 rate filing fee.

State Expenditures:

Maryland Trauma Physician Services Fund: Special fund expenditures could increase by approximately $17.2 million in fiscal 2004. It is assumed that all revenues would be paid out to trauma physicians applying for reimbursement. Future year estimates assume all funds collected from the $4 fee imposed on vehicle liability carriers would be paid out to trauma physicians.

Medicaid: Medicaid expenditures could increase by $3.8 million (50% general, 50% federal) to increase the Medicaid fee schedule reimbursement rates for trauma physicians. Future year estimates reflect 6.7% medical inflation in the Medicaid program.

Fund Administrative Expenditures: MIEMSS must administer the fund, and DBM and MIEMSS must develop a methodology for reimbursement from the fund. MIEMSS did not respond to the Department of Legislative Services' (DLS) request for fiscal information. DLS assumes that any administrative expenses could be handled with existing MIEMSS budgeted resources.

MIEMSS special fund expenditures and DBM general fund expenditures could each increase by an estimated $125,000 in fiscal 2004 to contract with a consultant to develop the methodology required for reimbursement from the fund. Future year estimates reflect conducting ongoing revision of the methodology as necessary.

MIA: Any increase in MIA workload could be handled with existing budgeted resources.

HSCRC: The report on in-hospital rates funding for physician on-call availability and regulatory requirements for MIEMSS trauma center could be handled with existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Medicaid, Health Services Cost Review Commission), Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2003
lc/jr

Analysis by: Susan D. John

Direct Inquiries to:
(410) 946-5510
(301) 970-5510