

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 479

(Senators Astle and Lawlah)

Finance

Health and Government Operations

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.

Fiscal Summary

State Effect: Maryland Trauma Physician Services Fund special fund revenues and expenditures could each increase by \$12.2 million in FY 2004. Medicaid federal fund expenditures could increase by \$1.9 million in FY 2004. Future year expenditures and revenues reflect inflation.

(\$ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
SF Revenue	\$12.24	\$12.36	\$12.48	\$12.61	\$12.73
SF Expenditure	12.24	12.36	12.48	12.61	12.73
FF Expenditure	1.90	2.03	2.16	2.31	2.46
Net Effect	(\$1.90)	(\$2.03)	(\$2.16)	(\$2.31)	(\$2.46)

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 an annual \$2.50 surcharge on vehicle registrations. 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 methodology must take into account the extent to which trauma-related costs are otherwise subsidized by hospitals, the federal government, and other sources. The methodology must also include an incentive to encourage hospitals to continue to subsidize trauma-related costs not otherwise included in hospital rates. 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.

By September 1, annually, MHCC and HSCRC must report to the General Assembly on: (1) the amount of money in the fund on the last day of the previous fiscal year; (2) the amount of money applied for by trauma physicians and trauma centers during the previous fiscal year; (3) the amount of money distributed in the form of trauma physician and trauma center reimbursements during the previous fiscal year; (4) any recommendations for altering the manner in which trauma physicians and trauma centers are reimbursed from the fund; (5) the costs incurred in administering the fund during the previous fiscal year; and (6) the amount that each participating hospital contributes toward the subsidization of trauma-related costs for its trauma center.

The bill establishes an eight-member Joint Legislative Committee to study and make recommendations about the structure and funding of the State's emergency medical response system. The committee will be staffed by the Department of Legislative Services. The committee must submit an interim report by December 31, 2003 and a final report by December 1, 2004 to the Governor, the Senate Budget and Taxation

Committee, Finance Committee, and Judicial Proceedings Committee, and the House Health and Government Operations Committee, and Economic Matters Committee.

MIEMSS must study whether a need exists for MIEMSS, with the approval of the State Emergency Medical Services Board, to enter into an agreement to designate an out-of-state adult trauma center located in the District of Columbia as a member of the State trauma system in order to ensure access of Maryland patients to appropriate levels of trauma care. By December 1, 2003, MIEMSS must submit a report on its findings and recommendations to the Governor, the Senate Finance Committee, and the House Health and Government Operations Committee.

HSCRC must submit reports to the Senate Finance Committee and the House Health and Government Operations Committee on September 1, 2003 and December 31, 2003, on the anticipated time frame in which HSCRC will begin including trauma center stand-by costs in the State's hospital rate setting system and other trauma center cost and funding issues. HSCRC must develop guidelines for the approval of an annual grant from the Maryland Trauma Physician Services fund of up to \$275,000 to subsidize the stand-by costs for an out-of-state pediatric trauma center that has entered into an agreement with MIEMSS. By September 1, 2004 and annually thereafter, HSCRC must report to the Senate Finance Committee and the House Health and Government Operations Committee on the amount of any grant awarded by HSCRC during the grant year.

The bill takes effect July 1, 2003. The bill's provisions relating to the Joint Legislative Committee terminate December 31, 2004. The remaining provisions terminate June 30, 2005.

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 \$12,237,550 in fiscal 2004. This estimate assumes the \$2.50 annual surcharge is billed at \$5 on 2,447,510 registrations and reflects biennial registration renewal. Future year estimates reflect the biennial registration process and assume a 1% annual increase in the number of registrations issued.

State Expenditures:

Maryland Trauma Physician Services Fund: Special fund expenditures could increase by approximately \$12.2 million in fiscal 2004. It is assumed that the fund provides: (1) \$433,892 in administrative costs for HSCRC and MHCC; (2) \$1.9 million for the Medicaid general fund expenditure on increased trauma physician reimbursement; and (3) \$9.9 million to trauma physicians applying for reimbursement. Future year estimates reflect inflation.

The addition of a \$2.50 surcharge to registrations could increase Motor Vehicle Administration administrative costs by approximately \$15,000 to update the database.

The bill's committee, study, and reporting requirements could be handled with the existing budgeted resources of the respective State entities providing these tasks.

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.

Additional Information

Prior Introductions: None.

Cross File: HB 1 (Delegates Busch and Hurson) – Health and Government Operations.

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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