HB 1313

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1313 (Delegate Gaines, *et al.*)
Health and Government Operations and Appropriations Budget and Taxation

Task Force to Study Physician Reimbursement at Maryland Hospitals

This bill establishes a Task Force to Study Physician Reimbursement at Maryland Hospitals.

The bill takes effect July 1, 2004 and terminates June 30, 2005.

Fiscal Summary

State Effect: Although the bill is silent on the provision of staffing or expense reimbursements for task force members, it is assumed the Department of Health and Mental Hygiene (DHMH) would provide staffing and that any expenditures associated with staffing and expense reimbursements could be handled with existing DHMH budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The task force must study: (1) the problems associated with physician reimbursement at Maryland hospitals, including differences in the level of Medicaid reimbursement for physician services provided at academic health centers versus the Medicaid reimbursement for physician services provided at community hospitals; (2) the inadequacy of Medicaid payments to cover all nonphysician and physician expenses; (3) the trends in declining volume of uncompensated care provided by physicians and the

subsequent financial impact on health care institutions; and (4) any structural deficiencies of the Medicare Waiver and the subsequent financial impact on health care institutions.

The task force must recommend: (1) one or more specific options for addressing the findings of its study; and (2) sources of funds for each option recommended. The task force must report its findings and recommendations to the Governor and the General Assembly by January 2, 2005.

Current Law: Chapter 250 of 2002 required the Maryland Health Care Commission (MHCC) and the Health Services Cost Review Commission (HSCRC) to study the reimbursement of health care providers, including the feasibility of an uncompensated care fund for hospital physicians. Its report was issued January 2004.

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.

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.

Chapter 385 of 2003 created the Maryland Trauma Physician Services Fund, administered by MHCC. The fund is used to subsidize the documented costs of uncompensated care incurred by a trauma physician in providing trauma care. The fund's fiscal 2005 budget allowance is $10 million.

According to the study required by Chapter 250 of 2002, uncompensated care for hospital-based physicians was $40.7 million in 2002. The study concluded that the Maryland Trauma Physician Services Fund was an efficient method of subsidizing uncompensated care and that this type of fund could also be used to provide subsidies to

all hospital-based physicians. However, the study could not identify adequate funding sources. The study estimated that providing subsidies to all hospital-based physicians would cost about four times as much as currently provided to trauma physicians. Other states have either used or have considered using: (1) motor vehicle registration fees; (2) motor vehicle violations and penalties; (3) tobacco tax revenues; (4) tobacco settlement funds; (5) surcharges on telephone calls; (6) general funds; or (7) federal funds.

Additional Comments:

Exhibit 1
Uncompensated Physician Costs at Hospitals in Underserved Areas
(Fiscal 2003)*

Hospital	Uncompensated Physician Costs
Johns Hopkins**	$0
St. Agnes	10,620,600
Sinai	12,076,300
Bon Secours	3,831,600
Union Memorial	1,847,700
Harbor Hospital	563,000
Maryland General	6,158,500
University Hospital (includes Shock Trauma)**	0
Prince George's	8,596,700
Doctors	675,200
Laurel Regional	1,501,500
Ft. Washington**	0
Peninsula Regional	1,274,000
McCready	766,300
Atlantic General	524,700
Total	**$48,436,100**

*Mercy and Johns Hopkins Bayview reported profits in physician Part B data.
**No physician Part B data received from hospitals that are under a different corporation or separate entity from the hospital.

Exhibit 2
Hospital-reported Uncompensated Care in Underserved Areas
(Fiscal 2002)

Hospital	Uncompensated Care
University – Shock Trauma	$31,000,000
University Hospital	57,235,169
Johns Hopkins Bayview	30,572,000
Johns Hopkins Hospital	60,938,000
Sinai	29,943,500
Prince George’s	26,254,900

Additional Information

Prior Introductions: None.

Cross File: SB 848 (Senator Lawlah, *et al.*) – Budget and Taxation.

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

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