

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 1227 (Delegates Shank and Myers)
 Ways and Means

Income Tax - Subtraction Modification for Uncompensated Care

This bill creates a subtraction modification under the State income tax for 100% of the value of uncompensated care provided by a physician to an emergency patient or trauma patient who: (1) does not have health insurance; (2) is not eligible for Medical Assistance coverage; and (3) has not paid the physician after documented attempts by the physician to collect payment. The amount of the subtraction modification cannot exceed the lesser of: (1) the Medicare retrospective cost reimbursement rate; or (2) the amount charged by the physician.

The bill takes effect July 1, 2005 and applies to tax year 2005 and beyond.

Fiscal Summary

State Effect: General fund revenues could decrease by approximately \$832,800 in FY 2006 due to subtraction modifications being claimed against the personal income tax. Future year revenues reflect constant amount of qualifying uncompensated care subtraction modifications. No effect on expenditures.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	(\$832,800)	(\$832,800)	(\$832,800)	(\$832,800)	(\$832,800)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$832,800)	(\$832,800)	(\$832,800)	(\$832,800)	(\$832,800)

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

Local Effect: Local income tax revenues would decrease by approximately 3.1% of the total State subtraction modification taken. Local income tax revenues would decrease by approximately \$543,500 annually beginning in FY 2006.

Small Business Effect: None.

Analysis

Current Law: No similar State subtraction modification exists. Trauma physicians, however, are eligible to receive reimbursements for uncompensated care provided under the Maryland Trauma Physician Fund.

Background: Chapter 385 of 2003 established the Maryland Trauma Physician Fund. The fund is supported by a \$2.50 surcharge on motor vehicle registrations. The fund covers uncompensated care expenses, elevated Medicaid payments, and trauma related on-call expenses for trauma physicians that provide treatment at Maryland Institute for Emergency Medical Services Systems designated trauma centers. In the first six months of fiscal 2005 the fund has disbursed approximately \$1 million to trauma physicians for uncompensated care. The fund, however, limits the types and amount of uncompensated care that qualifies for reimbursement. Reimbursements are made at 100% of the Medicare rate and limited to the initial hospitalization. The Maryland Health Care Commission (MHCC) estimated in 2003 that trauma physicians incur approximately \$3.3 million in total uncompensated care annually.

Chapter 250 of 2002 required MHCC and the Health Services Cost Review Commission (HSCRC) to examine the issue of uncompensated care. They reported that, in 2001, emergency physicians provided \$20 million in uncompensated care. The study noted that this estimate did not include the potential for recoveries from self-pay patients. The study estimated that hospital-based physicians recover about one-third of their charges to self-pay patients, leaving a net total of approximately \$13.3 million in uncompensated care.

State Revenues: Subtraction modifications could be claimed beginning with tax year 2005. As a result, general fund revenues could decrease by approximately \$832,800 in fiscal 2006. This estimate is based on the amount of uncompensated care provided by emergency room physicians and trauma physicians as estimated by MHCC and HSCRC. The amount of uncompensated care in each year is assumed to remain constant.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland Health Care Commission,
Department of Legislative Services

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ncs/hlb

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