

Department of Legislative Services

Maryland General Assembly

2007 Session

FISCAL AND POLICY NOTE

Revised

Senate Bill 750

(Senator Pipkin, *et al.*)

Finance

Health and Government Operations

**Queen Anne's County - Health Care Facilities Regulation - Licensing of
Freestanding Medical Facilities**

This emergency bill adds a second project, located in Queen Anne's County, to the freestanding medical facility pilot project in the Department of Health and Mental Hygiene (DHMH).

Fiscal Summary

State Effect: Medicaid expenditures could increase, potentially by a significant amount, to the extent the pilot project treats Medicaid enrollees. No effect on revenues.

Local Effect: Minimal to none.

Small Business Effect: None.

Analysis

Bill Summary: DHMH must issue a license to one freestanding medical facility pilot project if: (1) the project will be established by and operated administratively as part of an acute-care general hospital located in Talbot County; (2) the project will operate in Queen Anne's County; (3) the capital expenditure to implement the project meets current certificate of need (CON) requirements; and (4) the project meets requirements specified in regulation. The pilot does not require a CON and must submit certain information on the location, operation, and utilization of the project to the Maryland Health Care Commission (MHCC).

Carriers and managed care organizations must reimburse the project at a rate consistent with the contract between the carrier and the freestanding medical facility. Medicaid must pay a fee-for-service claim submitted by the project at a rate at least equal to the rate paid by Medicare.

Uncodified language specifies that the bill does not exempt a health care facility in Talbot County from health planning and development requirements nor authorize a health care facility or service to be relocated from Talbot County to Queen Anne's County.

Current Law: Chapters 549 and 550 of 2005 established a new category of "freestanding medical facility" and required licensure of such facilities by DHMH. MHCC is required to adopt regulations by July 1, 2008 to establish a process for reviewing any facilities seeking a license to operate as a freestanding medical facility.

Chapters 549 and 550 also established a freestanding medical facility pilot project in Montgomery County that is exempt from MHCC regulations. Third-party payors must reimburse the pilot project facility at contract rates. Medicaid must reimburse at a rate at least equal to the rate paid by Medicare.

Background: A freestanding medical facility is a facility in which medical and health services are provided that is physically separate from a hospital or hospital grounds and is an administrative part of a hospital or related institution.

Chapter 549 and 550 resulted from a failed attempt by Shady Grove Hospital to establish, through the CON process, a freestanding emergency department in the Germantown area of the county. The pilot project is not required to have a CON but is required to provide information, as specified by MHCC, on the configuration, location, operation, and utilization, including patient-level utilization, of the pilot project. Using information from the pilot project, MHCC, in consultation with the Health Services Cost Review Commission, must conduct a study of the operations, utilization, and financing of freestanding medical facilities. The findings must be reported to specified legislative committees by December 31, 2007.

The pilot project in Germantown opened in August 2006. On September 21, 2006, MHCC approved final regulations to implement the data-reporting requirements for freestanding medical facilities. The regulations require freestanding medical facilities, including the pilot project, to submit information that includes specified aggregate facility and patient-level data according to the form, format, and schedule specified by MHCC.

Queen Anne's County does not have a hospital. The bill would require the pilot project to be established by and operated administratively by Memorial Hospital at Easton.

State Fiscal Effect: Medicaid expenditures could increase by a significant amount beginning in fiscal 2008 due to the bill's requirement that Medicaid reimburse the pilot project at Medicare rates for fee-for-service enrollees. A typical nonemergency visit paid at the Medicare rate is estimated to cost approximately \$132 more than a regular Medicaid visit for comparable services. There are insufficient data at this time to reliably estimate the number of Medicaid enrollee visits to the pilot project.

Additional Comments: DHMH notes that the freestanding medical facility pilot project at Shady Grove was denied provider-based standing by the federal Centers for Medicare and Medicaid Services (CMS). This decision makes it unclear under what methodology DHMH could pay the facility (and any additional pilot sites). Without CMS approval of the Shady Grove facility as a provider, DHMH could lose federal matching dollars on claims paid to the pilot, thereby further increasing general fund expenditures.

Additional Information

Prior Introductions: None.

Cross File: HB 1219 (Delegate Sossi, *et al.*) – Health and Government Operations.

Information Source(s): Queen Anne's County, Department of Health and Mental Hygiene, Department of Legislative Services

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