

Department of Legislative Services

Maryland General Assembly

2007 Session

FISCAL AND POLICY NOTE

House Bill 1219

(Delegate Sossi, *et al.*)

Health and Government Operations

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

This emergency bill exempts a freestanding medical facility located in Queen Anne's County from the Maryland Health Care Commission (MHCC) review process for freestanding medical facilities and prohibits the Department of Health and Mental Hygiene (DHMH) from requiring a freestanding medical facility located in Queen Anne's County to be approved by MHCC as a condition of licensure.

A facility exempt under the bill must: (1) be located in the same county as the hospital of which the facility is an administrative part; or (2) be located in a contiguous county and within 20 miles of the county line of the county where the hospital of which the facility is an administrative part is located.

Fiscal Summary

State Effect: Medicaid expenditures could decrease depending on the rates paid to the facility and any change in utilization by Medicaid enrollees in Queen Anne's County. No effect on revenues.

Local Effect: Minimal to none.

Small Business Effect: None.

Analysis

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 certificate of need (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. Three hospitals meet the requirements of the bill: Anne Arundel Medical Center in Annapolis; Memorial Hospital at Easton; and Chester River Hospital Center in Chestertown.

State Fiscal Effect: The bill does not provide the level of rates that must be paid to a freestanding medical facility located in Queen Anne’s County. If these rates are outside the all-payor hospital system and therefore lower than current rates for services, as anticipated by Legislative Services, Medicaid expenditures (50% general funds,

50% federal funds) could decrease. This decrease could be offset to the extent utilization of services by Medicaid enrollees in Queen Anne's County increases.

Additional Information

Prior Introductions: None.

Cross File: SB 750 (Senator Pipkin, *et al.*) – Finance.

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

Fiscal Note History: First Reader - March 6, 2007
ncs/jr

Analysis by: Jennifer B. Chasse

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