

Department of Legislative Services  
Maryland General Assembly  
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 151

(Senator Colburn)

Finance

Health and Government Operations

---

Hospitals - Outpatient Services - Off-Site Facility - Rate Regulation

---

This emergency bill repeals the requirement that the Medicaid program pay certain hospitals rates set by the Health Services Cost Review Commission (HSCRC) for outpatient digestive disease services transferred to an off-site facility prior to January 1, 1999. The bill alters the off-site services for which a hospital may elect to have rates set by HSCRC. Outpatient digestive disease services transferred to an off-site facility may no longer be subject to rates set by HSCRC.

---

Fiscal Summary

**State Effect:** Potential minimal savings to the Maryland Medicaid program (50% general funds, 50% federal funds) beginning in FY 2013. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** None.

---

Analysis

**Bill Summary:** Uncodified language requires the University of Maryland Medical System (UMMS) to track utilization of outpatient digestive disease services provided at on-site and off-site facilities within the Shore Health System before and after the sale or transfer of an off-site facility at which digestive disease services are provided and report on the changes in utilization to the Senate Finance Committee and the House Health and Government Operations Committee by January 1, 2014, and January 1, 2015.

**Current Law/Background:** Chapter 670 of 1999 (HB 909) authorized a hospital that transferred outpatient oncology, diagnostic, rehabilitative, and digestive disease services to an off-site facility prior to January 1, 1999, to elect to have these services subject to HSCRC rate setting and to be reimbursed by Medicaid at HSCRC-approved rates if (1) the transfer was due to zoning restrictions at the hospital; (2) the off-site facility is surveyed as part of the hospital for purposes of national accreditation; and (3) the hospital notified HSCRC in writing by July 1, 1999, that it would like the services to be subject to HSCRC rate setting. Medicaid must pay HSCRC rates for services at such facilities.

Chapter 670 applied solely to four freestanding facilities, owned by Shore Health System, at Memorial Hospital at Easton. Due to historical zoning regulations, the hospital was unable to provide these services at the hospital; thus, the four services (outpatient oncology, diagnostic, rehabilitative, and digestive disease services) were transferred to off-site facilities and the hospital elected to have the rates regulated by HSCRC. Under an HSCRC-regulated rate, payors (including Medicaid) must pay both a facility fee and a physician fee.

Shore Health System, now part of UMMS, seeks to sell a majority share in the digestive disease services facility (Shore Health Digestive Health Center) to the gastroenterology physician group that practices at the facility. This action is intended to help retain a viable gastroenterology practice at the hospital given the shortage of such specialists on the mid-shore. In order to facilitate the sale, the bill permits deregulation of the facility's rates if the hospital notifies HSCRC by June 1, 2013. According to HSCRC, if the rates are deregulated, payors (including Medicaid) will pay only the physician fee for services rendered at the digestive health center.

**State Expenditures:** Medicaid expenditures (50% general funds, 50% federal funds) may decrease by a minimal amount beginning in fiscal 2014. If the rates for the Shore Health Digestive Health Center are deregulated, Medicaid will pay a lower rate for services provided to Medicaid recipients at the facility. However, some patients who have previously been treated at the facility may receive treatment at the hospital, in which case the rates would remain the same and be budget neutral to the Medicaid program.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 373 (Delegates Haddaway-Riccio and Eckardt) – Health and Government Operations.

**Information Source(s):** Department of Health and Mental Hygiene, University of Maryland Medical System, Department of Legislative Services

**Fiscal Note History:** First Reader - January 29, 2013  
mc/ljm

---

Analysis by: Jennifer B. Chasse

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