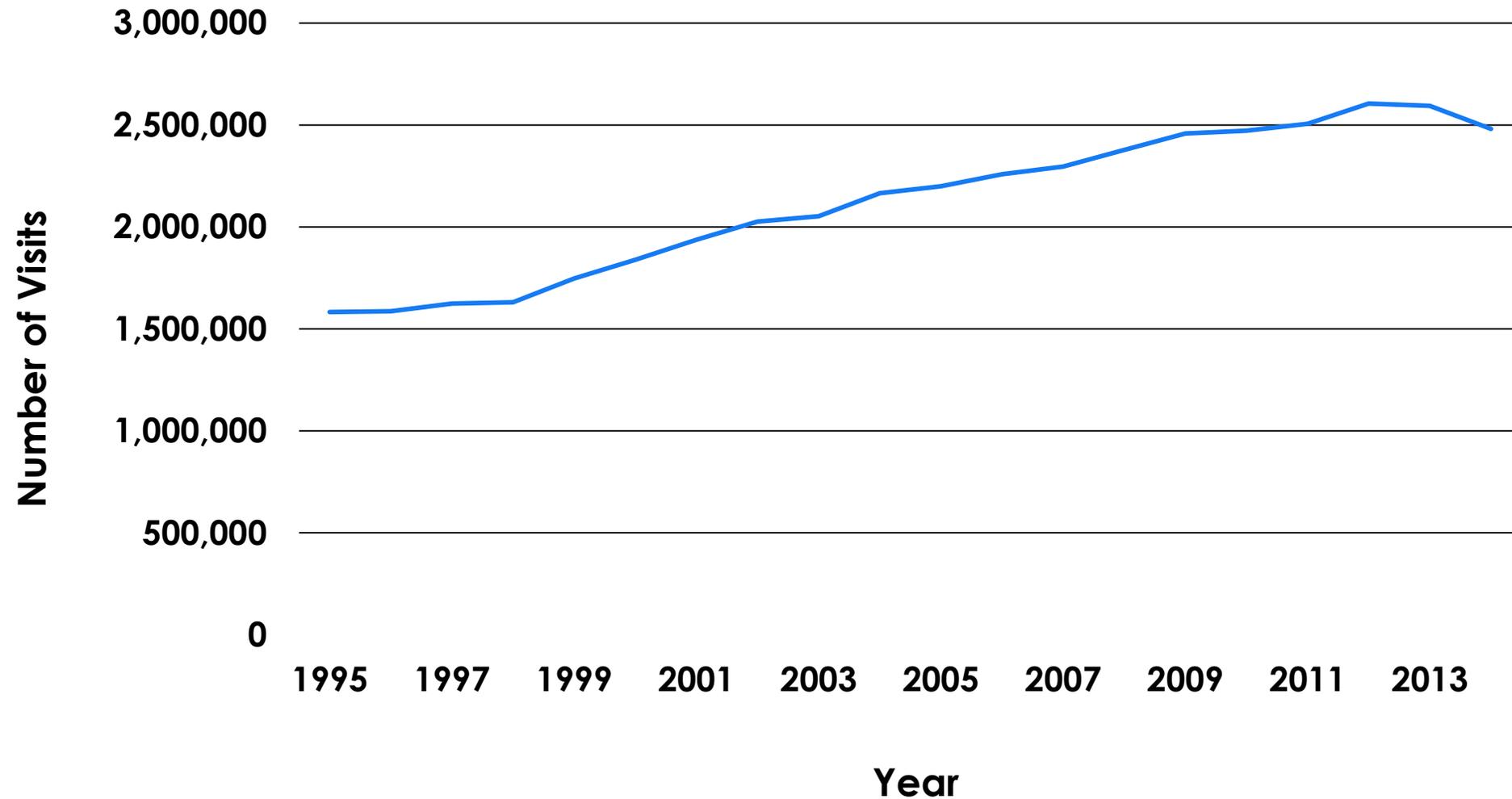


UTILIZATION AND FINANCING OF FREESTANDING MEDICAL FACILITIES

Health and Government Operations Committee Hearing

February 10, 2015

HOSPITAL EMERGENCY DEPARTMENT VISITS, FISCAL YEARS 1995-2014



Source: HSCRC Financial Database

HOSPITALS' RESPONSES TO GROWING NUMBER OF EMERGENCY DEPARTMENT VISITS

- **Re-engineering ED Workflow**
- **Expand Emergency Department Capacity at Hospitals**
- **Development of Urgent Care Centers Adjacent to Hospitals**
- **Development of Hospital-Affiliated Freestanding Medical Facilities**

FREESTANDING MEDICAL FACILITY (FMF)

COMMONLY KNOWN AS FREESTANDING “EMERGENCY CENTERS”

- ▶ **Must be owned by a hospital system**
- ▶ **Operate 24 hours a day, seven days a week**
- ▶ **Must comply with EMTALA – accept patients regardless of ability to pay**
- ▶ **Must comply with Medicare Conditions of Participation**
- ▶ **Accept ‘walk-in’ & certain patients arriving via ambulance**
 - ▶ **Linked to Maryland’s Emergency Medical System**
 - ▶ **If necessary, ability to rapidly transfer complex cases after they have been stabilized**

FREESTANDING MEDICAL FACILITIES

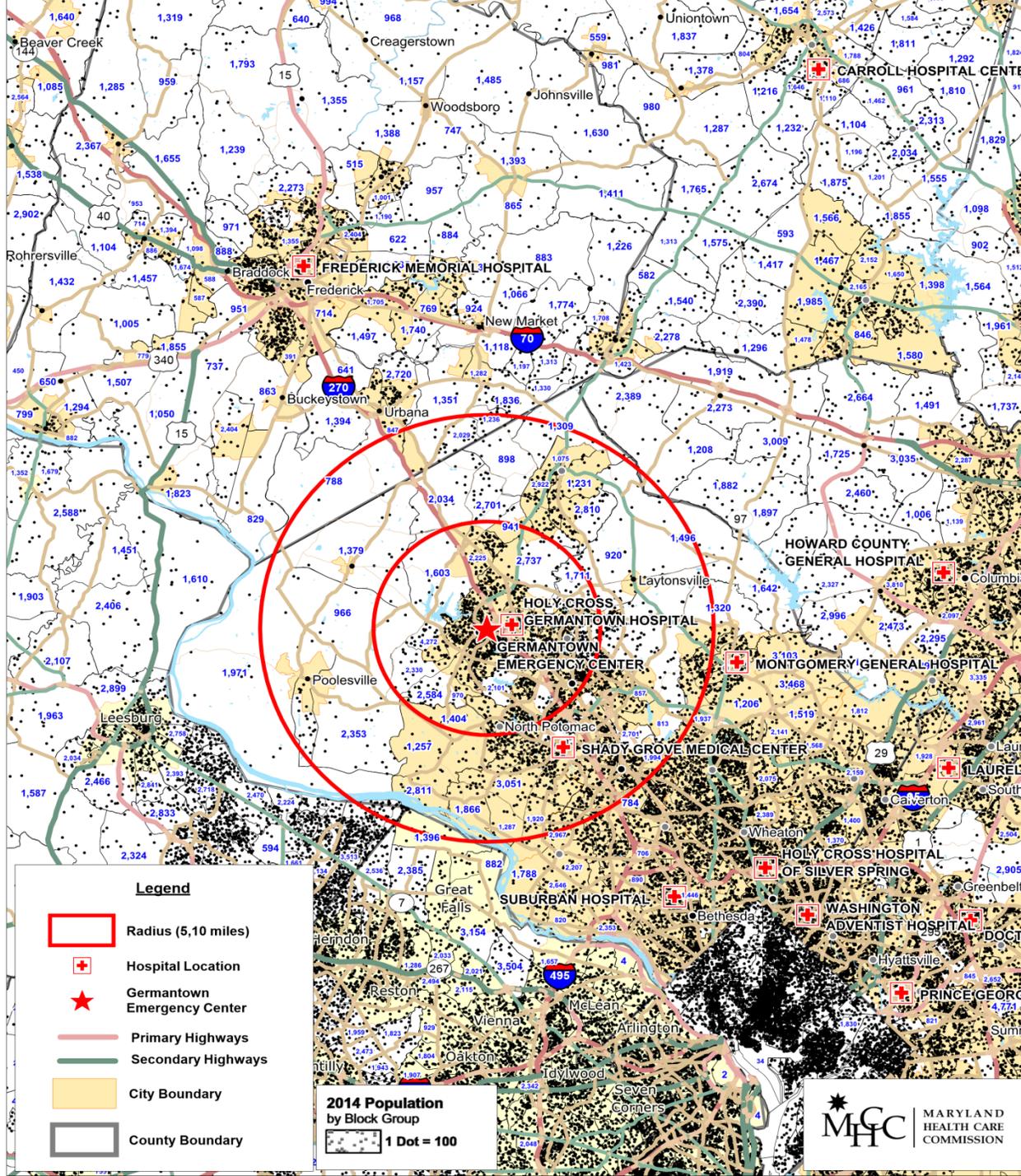
Pilot Projects

- **Germantown Emergency Center (affiliated with Shady Grove Medical Center)**
 - **Opened August 2006**
- **Queen Anne's Emergency Center (affiliated with UM Shore Medical Center at Easton)**
 - **Opened October 2010**

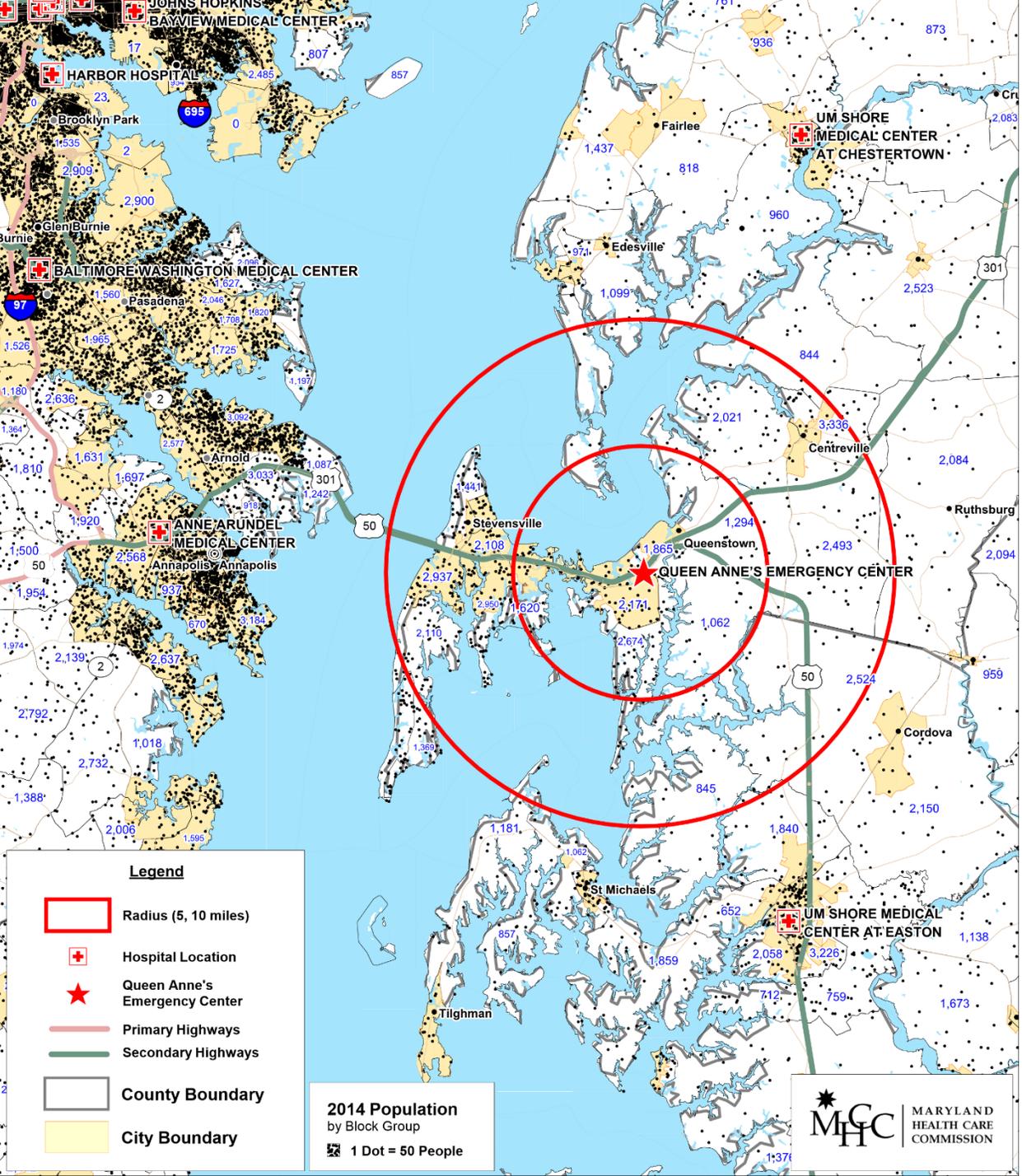
Other FMFs

- **Bowie Health Center (affiliated with Prince George's County Hospital)**
 - **Opened 1979**

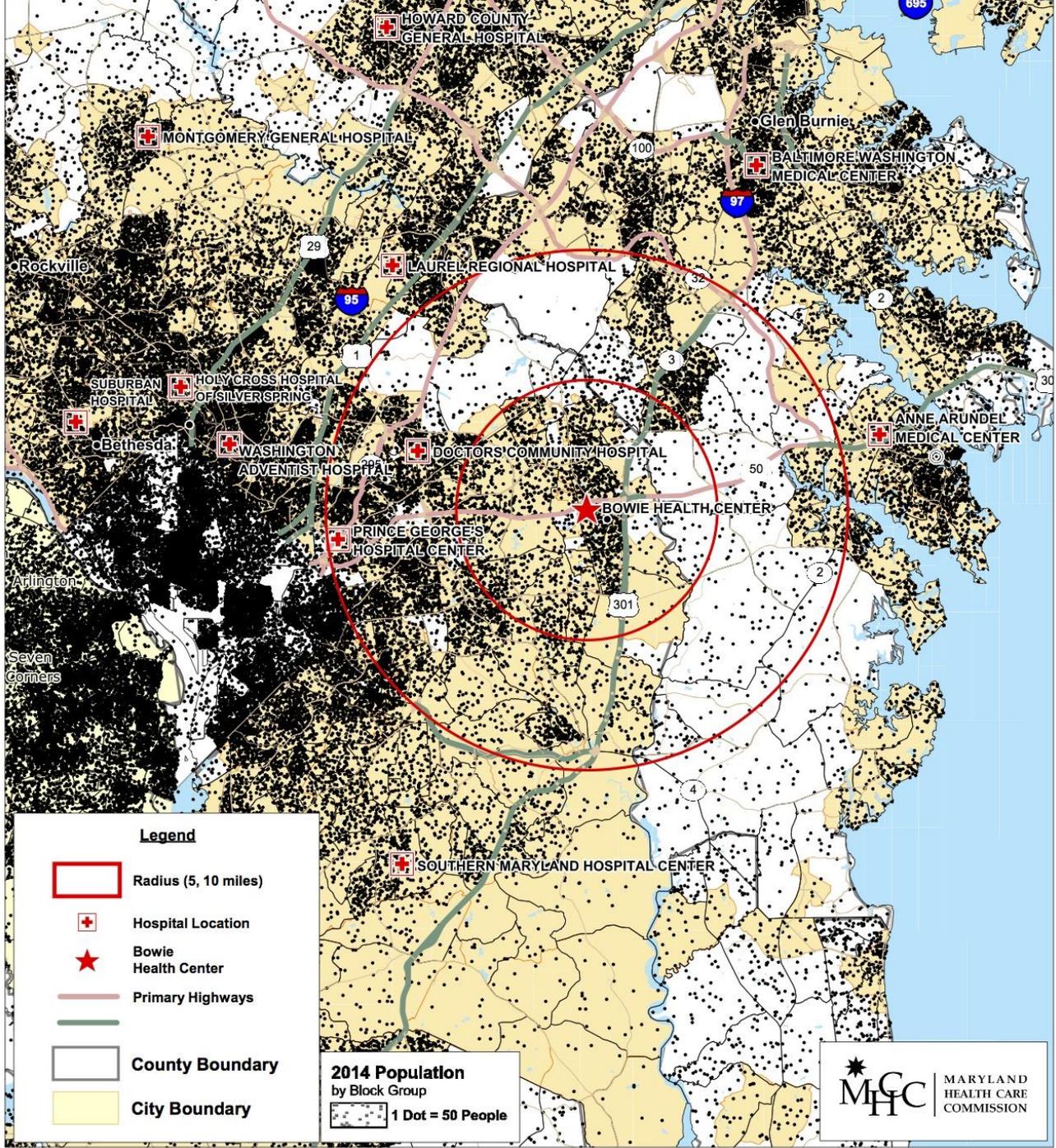
Location of Germantown Emergency Center



Location of Queen Anne's Emergency Center



Location of Bowie Health Center



RECENT REPORTING AND LEGISLATIVE HISTORY

- **Interim Report on the Operations, Utilization, and Financing of Freestanding Medical Facilities, MHCC**
 - **December 2007: MHCC issued interim report.**
 - **February 2010: MHCC issued a final report.**

- **2010 legislation:**
 - **Directed HSCRC to set rates for the two pilot FMFs**
 - **Established a moratorium on the development of additional FMFS prior to July 1, 2015**
 - **Directed MHCC report on the impact of HSCRC rate setting on FMFs**

- **February 2015: MHCC issued a final report.**

MHCC REPORT

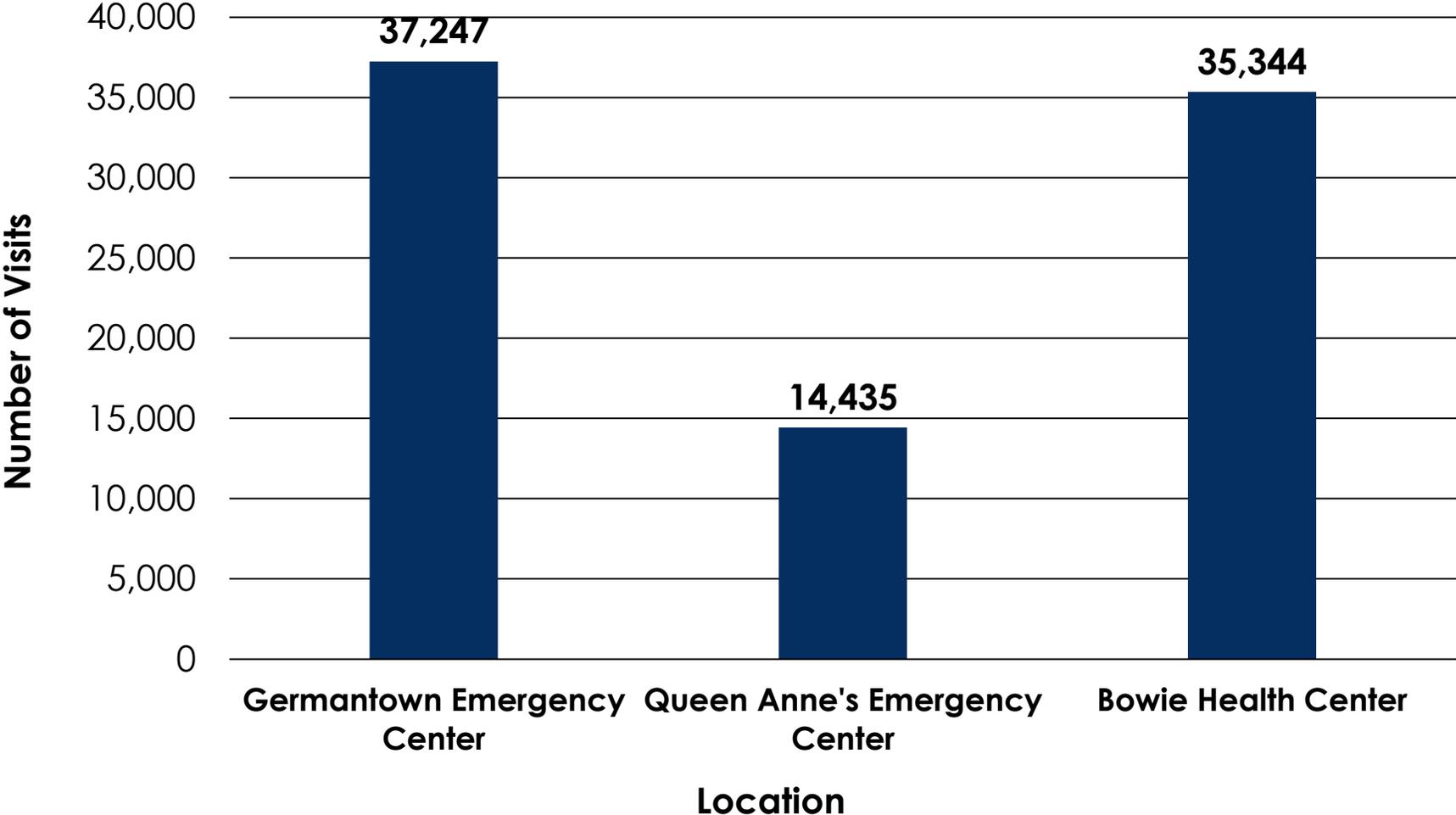
- ▶ **Utilization of Freestanding Medical Facilities**
 - ▶ **Number of Visits**
 - ▶ **Visit Volume by Time of Day**
 - ▶ **Acuity of Patient Visits**
 - ▶ **Age of Patients**
 - ▶ **Payer Mix**

- ▶ **Financial Performance of Freestanding Medical Facilities**
 - ▶ **Revenue, Expenses, and Net Income**
 - ▶ **Revenue and Expenses Per Visit**

- ▶ **Impact of Rate Regulations**

- ▶ **Implications for Regulatory Policy**

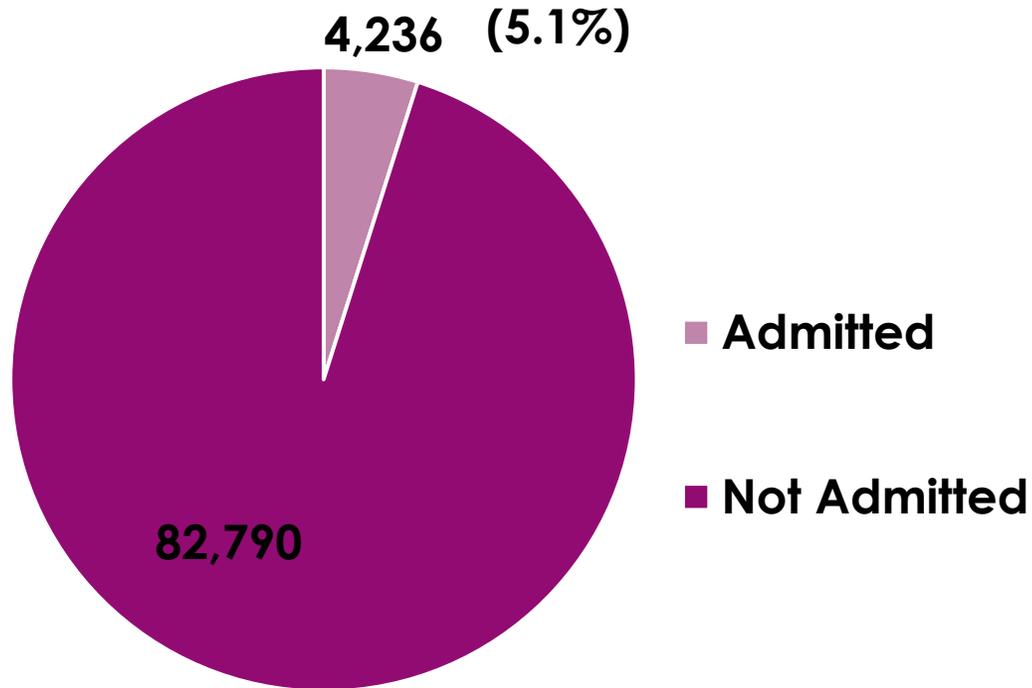
TOTAL NUMBER OF VISITS FOR FREESTANDING MEDICAL FACILITIES, FY 2014



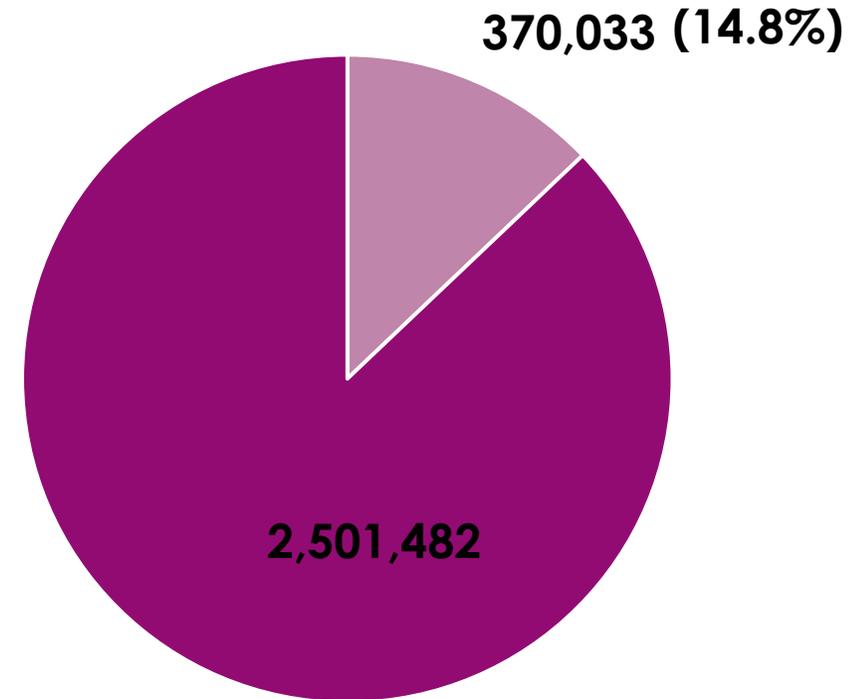
Sources: MHCC staff analysis of freestanding medical facilities data for GEC and Bowie, and email correspondence from SGMC staff to MHCC staff 12/5/14.

PATIENT DISPOSITION BY NUMBER OF VISITS FOR FREESTANDING MEDICAL FACILITIES & MARYLAND HOSPITAL EMERGENCY DEPARTMENTS, FY 2014

Freestanding Medical Facilities



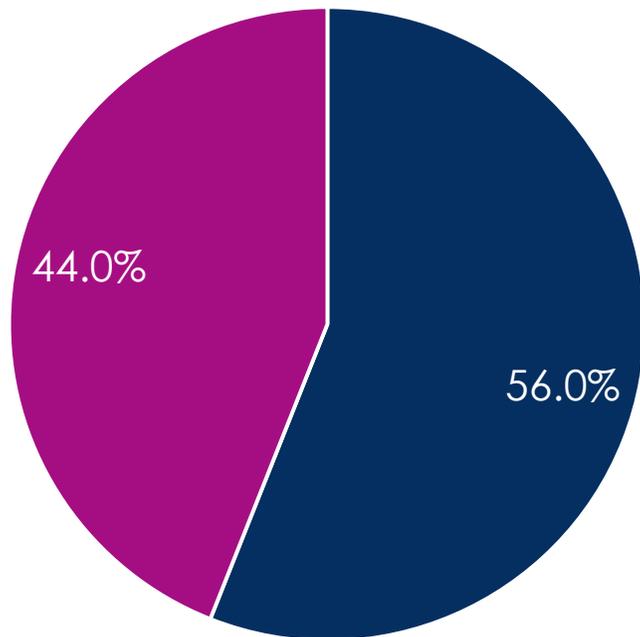
Hospitals



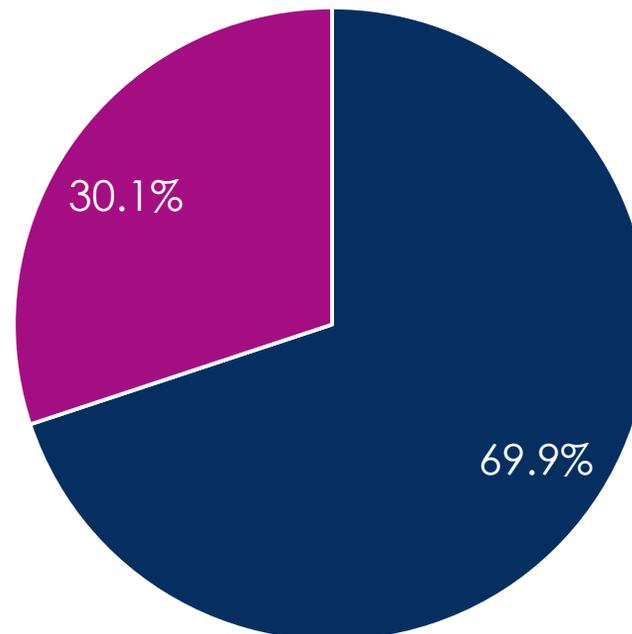
Source: MHCC staff analysis of freestanding medical facilities data and HSCRC outpatient data for FY 2014.

ARRIVAL TIME PATTERNS FOR FREESTANDING MEDICAL FACILITIES, FY 2014

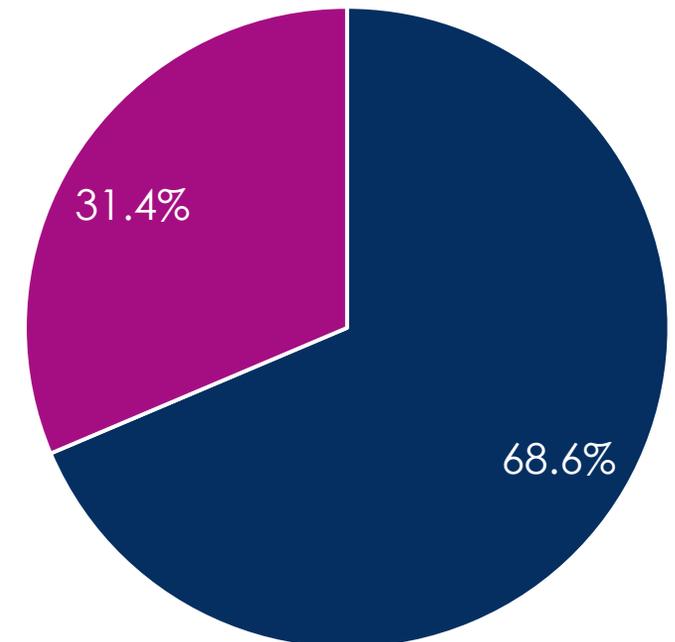
Germantown Emergency Center



Bowie Health Center



Queen Anne's Emergency Center

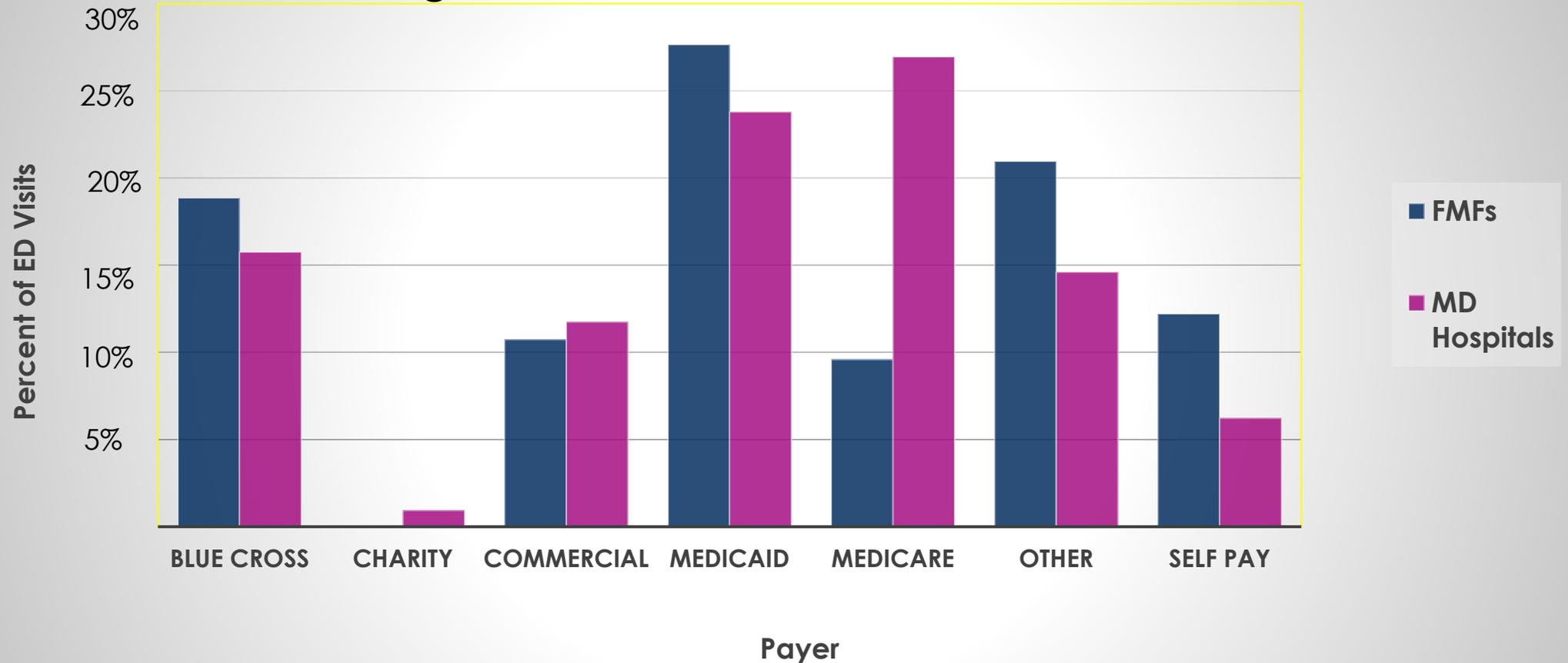


- Business (8:01am-8:00pm)
- Overnight (8:01pm-8:00am)

Source: MHCC analysis of freestanding medical facilities data for FY 2014.

PAYER MIX BY LOCATION, FY 2014

FMFs – higher shares of Medicaid and uninsured



Source: MHCC analysis of freestanding medical facilities data and outpatient data for Maryland Hospitals.

Note: The "other" category includes Title V, other government programs, workers compensation, managed care payer other than Medicaid or Medicare, donor, and other payer.

FINANCIAL PERFORMANCE OF FREESTANDING MEDICAL FACILITIES

Net Income Per Visit, FY 2012 - FY 2013

Location	FY 2012	FY 2013
Bowie Health Center	(\$26)	\$55
Germantown Emergency Center	(\$11)	(\$55)
Queen Anne's Emergency Center	(\$142)	(\$144)

Sources: MHCC staff analysis of financial statements obtained from HSCRC and freestanding Medical facilities data; Email and phone correspondence between MHCC staff and representatives for Shore Regional Health on January 15, 2015 and January 28, 2015.

FINANCIAL VIABILITY OF FREESTANDING MEDICAL FACILITIES

- **Financial reports indicate that Maryland's freestanding medical facilities rarely generate net income when viewed as freestanding entities.**
- **Hospital emergency departments are generally not regarded as generators of net income from operations when viewed on a stand-alone basis.**
- **If the revenue generated by FMFs through patients first seen at the FMF and later admitted and from any net increase in admissions to the parent hospital or system is included, FMFs may be generating net income for their parent hospital or system.**

GERMANTOWN EMERGENCY CENTER: FINANCIAL PERFORMANCE, FY 2007- FY 2013

(In Thousands of Dollars)	2007	2008	2009	2010	2011	2012	2013
Gross Revenue	11,667.4	14,912.5	17,005.1	16,364.6	14,190.6	14,173.6	14,047.7
Total Net Revenue	8,242.3	9,480.1	9,851.5	11,102.2	10,865.8	10,913.7	9,975.6
Expenses	9,236.9	10,327.4	11,363.0	11,273.1	11,209.0	11,301.9	11,874.8
Net Income	-994.6	-847.3	-1,511.5	-170.9	-343.2	-388.2	-1,899.1

Source: The data for 2007-2010 is from HSCRC cost reports schedule RE-R; the data for 2011-2013 is from Adventist Healthcare audited financial statements.

- **GEC became rate regulated by HSCRC in July 2011, half-way through GEC's FY 2011.**
- **GEC's reported net income has been negative for each year of operation.**
- **Regulating payment for freestanding medical facilities does not guarantee that they will be financially self-sufficient.**

KEY CONCLUSIONS

- **Development of an FMF may reduce crowding at the affiliated hospital's ED, increase access to care, and effectively serve as an alternative to developing a hospital in some cases.**
- **FMFs serve a patient population with, on average, less acute needs than the patient population at hospital EDs.**
- **The vast majority of patient visits at FMFs occurred during hours when a viable alternative for treating minor urgent problems may have been available for some patients.**
- **A hospital seeking to establish an FMF may need to justify why other less expensive models of urgent care delivery cannot meet the needs of the population to be served.**

NEXT STEPS

- **Develop Health Plan for FMFs in collaboration with community representatives, HSCRC, the Department of Health and Mental Hygiene, & Maryland's acute care hospitals and hospital systems.**
- **After State Health Plan for FMFs implemented, hospitals could apply to establish new FMFs consistent with that plan**