

IN RE: THE PARTIAL RATE * **BEFORE THE HEALTH SERVICES**
APPLICATION OF DIMENSIONS * **COST REVIEW COMMISSION**
HEALTHCARE SYSTEM - * **DOCKET: 2011**
BOWIE EMERGENCY CENTER * **FOLIO: 1928**
BOWIE, MARYLAND * **PROCEEDING: 2118N**

Staff Recommendation

August 11, 2011

This recommendation was unanimously approved by the Commission on August 11, 2011.

Introduction

On May 23, 2011, Dimensions Healthcare System (the “System”) submitted a partial rate application to the Commission on behalf of the Bowie Emergency Center (“BEC”) requesting a rate for emergency and related ancillary services provided at the Center. The Hospital is requesting that the rates be approved effective July 1, 2011.

Chapters 505 and 506 of the 2010 Laws of Maryland require the Commission to set rates for all payers for emergency services provided at two freestanding medical facilities operating as pilot projects under legislation passed in 2005 and 2007. The pilot facilities are the Queen Anne’s Freestanding Emergency Medical Center and the Germantown Emergency Center. The 2010 legislation also requires the Commission to set rates for all payers for emergency services provided at BEC.

Background

In 1979, the Bowie Health Center (now BEC) was built as a freestanding emergency room satellite service affiliated with the Prince George’s Hospital Center (“PGHC”). It was not licensed by the State as a hospital but its licensure emanated from PGHC. In 1980, the HSCRC began to set rates for the Bowie Health Center as a unit of PGHC, since it was administratively part of PGHC.

The 2005 freestanding medical facility legislation (Chapters 549 and 550 of the 2005 Laws of Maryland):

- Defined a freestanding medical facility as one:
 - in which medical and health services are provided;
 - that is physically separated from a hospital or hospital grounds;
 - that is an administrative part of a hospital or related institution; and

- that is open 24 hours a day, 7 days per week.
- established a licensure category and process for freestanding medical facilities;
- set standards for freestanding medical facilities;
- created a freestanding medical facility pilot project in Montgomery County which:
 - required private carriers and MCOs to reimburse the pilot project facility based on a contract executed between the facility and the payer; and
 - required Medicaid, when paying on a fee-for services basis, to reimburse a project at a rate no less than what is paid by Medicare; and
- required the Maryland Health Care Commission (MHCC) to collect data and report on the operations and utilization of the pilot facility.

While BEC was not legislatively designated as a freestanding medical facility pilot, it did obtain freestanding medical facility licensure on June 13, 2007 pursuant to regulations as a result of the 2005 legislation. The 2010 legislation required the Commission to set rates that apply to all payers, effective July 1, 2011, for emergency services provided at a freestanding medical facility licensed before July 1, 2007. BEC is the only facility that meets this criterion.

In compliance with 2010 legislation, on November 3, 2010, the Commission approved provisional rates for the Queen Anne's Freestanding Emergency Center effective October 1, 2010 (HSCRC Proceeding 2090N). These rates will be revisited following the availability of data on actual experience at the Queen Anne's Freestanding Emergency Medical Center and the outcome of this rate application.

Staff Evaluation

The Commission typically provides a hospital with the lesser of the state-wide median rate or the hospital's requested rate based on projected cost for new services. The System requested that

rates be set for Emergency Room, Electrocardiography, Laboratory, Radiology Diagnostic, Medical Supplies, and Drugs revenue centers based on the actual cost structure of BEC. The staff believes that the approved cost per unit of service for this facility should not be more than that approved at PGHC, since the overhead associated with the freestanding facility should be less than that of the Hospital. Therefore, the staff conducted its review by comparing the requested BEC cost per unit, by revenue center, to the approved cost per unit of PGHC and provided BEC with the lower of the two. Additionally, the staff believes that the cost per unit of service of BEC should be no more than the statewide median cost per unit of service. Therefore, the staff provided BEC with the lesser of the cost per unit previously calculated (BEC versus PGHC) and the approved statewide median cost per unit. The cost per unit for each revenue center was then increased by the approved update factor of 1.56%.

Finally, in order to arrive at the approved rate per unit for each revenue center, a markup was calculated based on BEC's actual payer mix and uncompensated care (UCC) for FY 2010. UCC for FY 2010 was \$2,271,109 or 22.16% of charges. The approved markup for FY 2012 is 1.3277.

Recommendation

Based on the above calculations, the staff recommends the following rates at BEC effective

July 1, 2011:	<u>Approved Rate</u>	<u>Units of Service</u>	<u>Approved Revenue</u>
Free Standing Emergency	\$36.91	188,706	\$6,966,076
Laboratory	\$2.29	729,977	\$1,673,331
Radiology Diagnostic	\$31.40	36,487	\$1,145,759
Electrocardiography	\$1.60	20,232	\$32,383
Medical Supplies	Overhead of \$14,056 plus the cost of medical supplies times 1.3277 markup		
Cost of Drugs	Overhead of \$62,905 plus the cost of drugs times 1.3277 markup		

Additionally, since these costs are currently included as part of PGHC's cost and rate structure, they need to be removed from PGHC's rates that are to be effective July 1, 2011 for FY 2012.

Staff further recommends that the UCC for FY 2013 be based on the BEC's actual UCC for FY's 2010 and 2011, and that the UCC for future years be based on the most current three year average. Finally, the staff recommends that the facility report to the Commission all applicable data and information required of all other hospitals regulated under the all-payer system in the time frames dictated by the Commission.