

R55Q00
Aid to University of Maryland Medical System

Operating Budget Data

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$2,937	\$2,937	\$0	-\$2,937	-100.0%
Special Fund	<u>6,700</u>	<u>6,764</u>	<u>6,861</u>	<u>97</u>	<u>1.4%</u>
Total Funds	\$9,637	\$9,701	\$6,861	-\$2,840	-29.3%

- The fiscal 2009 allowance represents a decrease of \$2.8 million, or 29.3%, in funding over the fiscal 2008 working appropriation.
- General fund support associated with the operating budget of the Montebello Rehabilitation Program at Kernan Hospital, previously located in the budget of Aid to University of Maryland Medical System, has been transferred to the Department of Health and Mental Hygiene's Family Health Administration.
- The allowance includes a special fund increase of \$97,387 for operating support of the R Adams Cowley Shock Trauma Center (Shock Trauma Center).

Analysis in Brief

Major Trends

Admissions and Total Patient Days Rises in Fiscal 2007: After a drop in the number of admissions and total patient days in fiscal 2006, the Shock Trauma Center is again experiencing an increase in the number of admissions, average length of stay, and overall patient days. Since fiscal 2002, there has been an increasing trend in all three of these categories.

Interhospital Transfers: The Shock Trauma Center continues to increase its admission capacity for patients transferred from other hospitals. In fiscal 2007, 1,527 patients were admitted from other local hospitals that did not have the physicians or resources to provide trauma level care to critically injured patients.

Note: Numbers may not sum to total due to rounding.

For further information contact: Kathleen K. Wunderlich

Phone: (410) 946-5530

Recommended Actions

1. Concur with Governor's allowance.

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Operating Budget Analysis

Program Description

The University of Maryland Medical System (UMMS), a private nonprofit corporation, was created by legislation in 1984 to provide governance and management over the operation of the formerly State-run University of Maryland Hospital. The mission of the medical system is to provide tertiary care to the State and surrounding areas, to provide comprehensive care to the local community, and to serve as the primary site for health care education and research for the University System of Maryland. The system includes the James Lawrence Kernan Hospital, the Marlene and Stewart Greenebaum Cancer Center, University Hospital, R Adams Cowley Shock Trauma Center (Shock Trauma Center), and University Specialty Hospital.

Direct State support is provided to the R Adams Cowley Shock Trauma Center. As the State's Primary Adult Resource Center for the treatment of trauma, the Shock Trauma Center receives special funds from the Maryland Emergency Medical System Operations Fund (MEMSOF). Funds from MEMSOF support both an operating subsidy and a capital subsidy at the Shock Trauma Center.

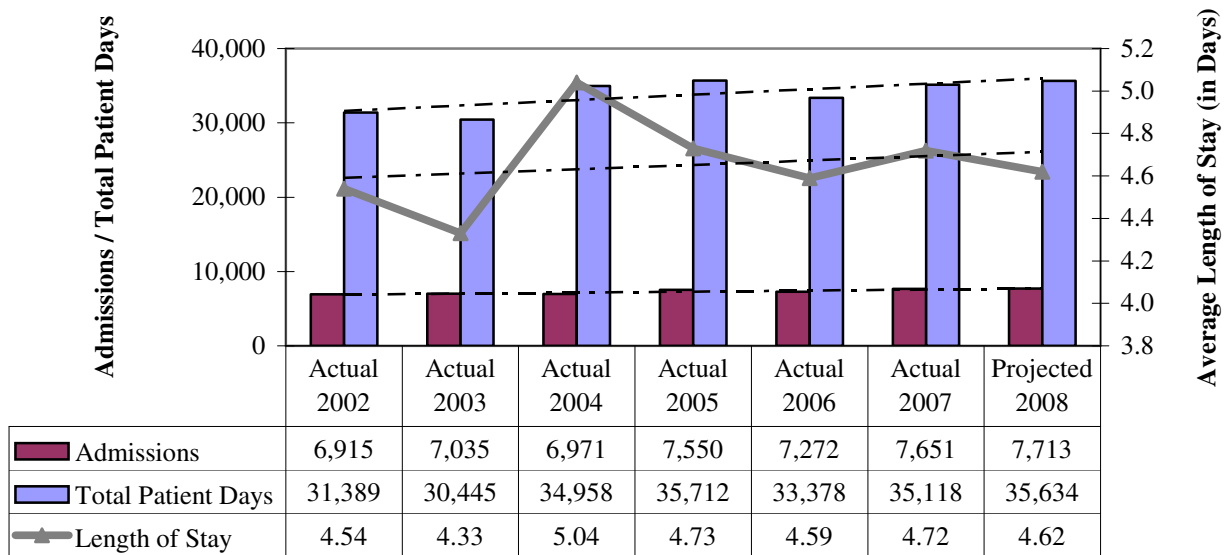
The Montebello Rehabilitation Program at Kernan Hospital, which provides comprehensive rehabilitation services, was transferred from the Department of Health and Mental Hygiene (DHMH) to UMMS in 1992 via Chapter 248 of 1992. It was the General Assembly's intent that the operational expertise and financial independence of a major teaching and research institution would allow for continued improvements to patient care. An annual operating grant is awarded to UMMS for this program. The fiscal 2009 allowance changes the budget vehicle by which the grant to UMMS for operation of the Montebello program at Kernan is awarded. The operating grant for the program is now appropriated through DHMH's Family Health Administration (FHA), which will in turn disburse the grant to UMMS.

Performance Analysis: Managing for Results

The Shock Trauma Center, according to State law, is the core element of the State's Emergency Medical System and serves as the State's primary adult trauma medical resource center. In addition, the center accepts statewide referrals for the treatment of head, spinal, and multiple trauma injuries and serves as the regional trauma center for the greater Baltimore area. Improved on-site protocols were developed in collaboration with the Maryland Institute for Emergency Medical Services System to identify and direct patients most in need of level one trauma care to Shock Trauma. This process has resulted in only the most severely injured patients being treated at the Shock Trauma Center.

Demand for services at the Shock Trauma Center, as measured by the total number of patient days, is displayed in **Exhibit 1**. The number of patient days generally reflects two variables: the number of admissions and the average length of stay. As the chart demonstrates, there has been a long-term trend since fiscal 2002 of increased patient days, admissions, and average length of stay. Although there has been some variation in all three elements, the overall trend indicates increased demand for Shock Trauma Center services since fiscal 2002.

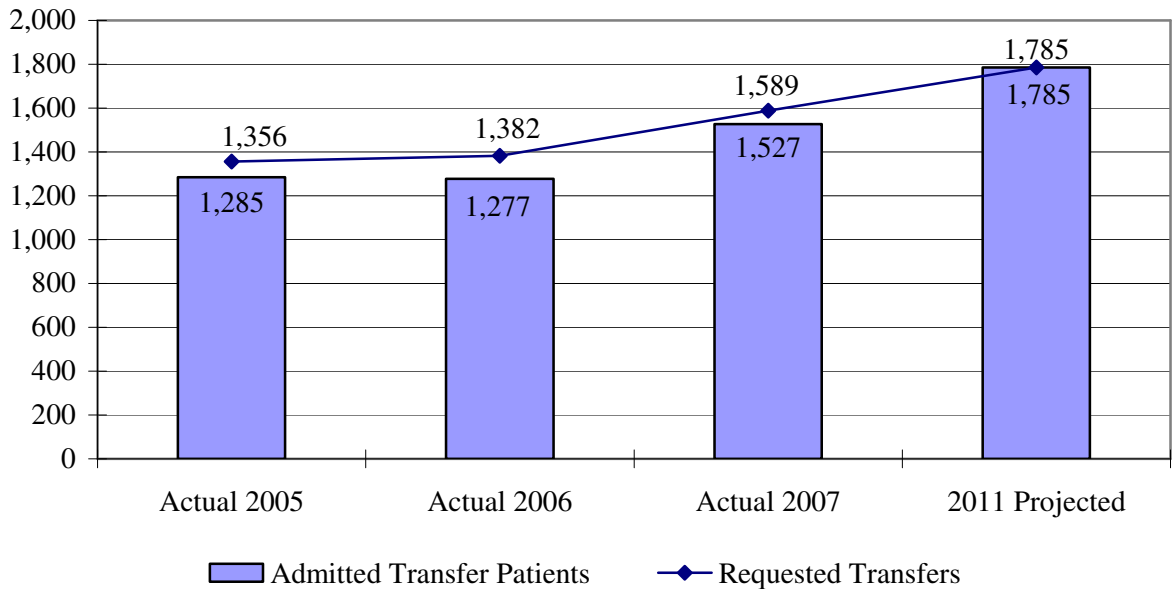
Exhibit 1
Trends in Demand for Shock Trauma Center Services
Fiscal 2002-2008



Source: University of Maryland Medical System

One of the factors contributing to the increase in demand for services at the Shock Trauma Center is the increase in interhospital transfers, which accounted for about 20% of the total admissions in fiscal 2007. **Exhibit 2** shows the trend of interhospital transfers of patients from other local and regional hospitals. Due to a decline in the availability of specialized physicians and the capability of providing trauma care to critically injured patients in other local hospitals, a greater number of patients are being transferred to the Shock Trauma Center for care.

Exhibit 2
Interhospital Transfers
Fiscal 2005-2011



Source: University of Maryland Medical System

Exhibit 3 illustrates the overall profitability of the Shock Trauma Center. With State support, the Shock Trauma Center has shown a net profit in all but three years since fiscal 1995. Only State operating support is shown in Exhibit 3; it does not include the capital subsidy that is transferred from MEMSOF for medical and information technology equipment. UMMS estimates a profit of \$3.6 million in fiscal 2008 after State operating subsidy support.

Exhibit 3
Shock Trauma Center Analysis of Profitability
Fiscal 1995-2008
(\$ in Thousands)

<u>Fiscal Year</u>	<u>Gross Patient Revenue</u>	<u>Net Income/Loss Before State Support</u>	<u>State Operating Support</u>	<u>Net Income/Loss With State Support</u>
1995	\$67,897	-\$1,909	\$2,900	\$991
1996	67,723	-1,795	2,900	1,105
1997	66,168	-1,730	2,900	1,170
1998	74,422	-3,662	2,900	-762
1999	85,790	-1,840	3,017	1,177
2000	85,496	-4,507	3,108	-1,399
2001	100,032	-2,176	3,201	1,025
2002	114,123	-1,053	3,265	2,212
2003	130,481	-1,215	3,363	2,148
2004	153,973	1,588	3,464	5,052
2005	156,938	5,312	3,464	8,776
2006	168,145	-3,819	3,464	-355
2007	185,197	342	3,200	3,542
2008 Est.	187,049	377	3,264	3,641

Source: Department of Budget and Management; University of Maryland Medical System

Governor's Proposed Budget

The Governor's fiscal 2009 allowance decreases by \$2.8 million, or 29.3%, over the fiscal 2008 working appropriation, as shown in **Exhibit 4**. The fiscal 2009 budget consists only of special funds and no longer includes general fund support for the Montebello Rehabilitation Program at Kernan Hospital. While general fund support was previously included in the Aid to UMMS budget for this program, the fiscal 2009 allowance now includes the general fund support in DHMH's FHA budget. **Now that the grant will be administered through FHA instead of going through Aid to UMMS directly, the agency should comment on any potential effects on the operation or patient care at the Montebello Rehabilitation Program at Kernan Hospital.**

Exhibit 4
Governor’s Proposed Budget
Aid to University of Maryland Medical System
Fiscal 2007-2009

	Actual 2007	Working Appropriation 2008	Allowance 2009	Change 2008-2009	% Change 2008-2009
Montebello Rehabilitation Program					
Debt service	\$750,000	\$750,000	\$0	-\$750,000	-100.0%
Uncompensated care	2,187,191	2,187,191	0	-2,187,191	-100.0%
General Fund Subtotal	\$2,937,191	\$2,937,191	\$0	-2,937,191	-100.0%
Shock Trauma Center					
Operating subsidy	\$3,200,000	\$3,264,000	\$3,361,387	\$97,387	3.0%
Capital subsidy	3,500,000	3,500,000	3,500,000	0	0.0%
Special Fund Subtotal	\$6,700,000	\$6,764,000	\$6,861,387	\$97,387	1.4%
Total	\$9,637,191	\$9,701,191	\$6,861,387	-\$2,839,804	-29.3%

Source: Department of Budget and Management

R Adams Cowley Shock Trauma Center

The State has provided an operating subsidy to the Shock Trauma Center since UMMS was established as a private, nonprofit corporation in 1984. Funds have been provided to offset costs not otherwise recovered in hospital rates; these costs exceed State averages due to the emergency mission of the center and the need to continuously maintain emergency staff.

MEMSOF was established in 1992 to provide support to State providers of emergency medical services, including the R Adams Cowley Shock Trauma Center. The fund, which generates approximately \$50.0 million each year from a surcharge on vehicle registrations, has provided an alternate source of State funding for the Shock Trauma Center. Operating support has been provided solely from this source since fiscal 1993. The allowance includes \$3.4 million for operating expenses in fiscal 2009, a 3% increase over the fiscal 2008 working appropriation, as shown in Exhibit 4. The operating subsidy for the Shock Trauma Center aids the center in its standby costs, homeland security requirements, and research and education expenditures.

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Capital funding support from MEMSOF remains at \$3.5 million, the same level as the past two fiscal years. As background, the MEMSOF provided \$3.5 million per year to the Shock Trauma Center to support facility and equipment renewal from fiscal 2001 through 2005. In fiscal 2006, the State reduced the capital funding to \$1.5 million. However, in fiscal 2007, the State restored funding to \$3.5 million and capital support has remained at that level through the fiscal 2009 allowance. The fiscal 2009 capital subsidy will be used toward medical and information technology equipment to expand capacity at the Shock Trauma Center building.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets Aid to University of Maryland Medical System (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2007					
Legislative Appropriation	\$2,937	\$6,700	\$0	\$0	\$9,637
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	0	0	0	0
Actual Expenditures	\$2,937	\$6,700	\$0	\$0	\$9,637
Fiscal 2008					
Legislative Appropriation	\$3,055	\$6,764	\$0	\$0	\$9,819
Cost Containment	-117	0	0	0	-117
Budget Amendments	0	0	0	0	0
Working Appropriation	\$2,937	\$6,764	\$0	\$0	\$9,701

Note: Numbers may not sum to total due to rounding.

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Fiscal 2007

There was no change in fiscal 2007 from the appropriated level of support for the University of Maryland Medical System.

Fiscal 2008

For fiscal 2008, the working appropriation for the Aid to the University of Maryland Medical System is currently \$9.7 million. Cost containment actions approved by the Board of Public Works in August 2007 reduced general fund support for the Montebello Rehabilitation Program at Kernan Hospital by \$0.1 million from the original fiscal 2008 legislative total. General funds are used to offset the cost of uncompensated care at James Lawrence Kernan Hospital. The cost containment reduction will diminish the level of funds targeted to reduce uncompensated care costs.

**Object/Fund Difference Report
Aid to University of Maryland Medical System**

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 9,637,191	\$ 9,701,191	\$ 6,861,387	-\$ 2,839,804	-29.3%
Total Objects	\$ 9,637,191	\$ 9,701,191	\$ 6,861,387	-\$ 2,839,804	-29.3%
Funds					
01 General Fund	\$ 2,937,191	\$ 2,937,191	\$ 0	-\$ 2,937,191	-100.0%
03 Special Fund	6,700,000	6,764,000	6,861,387	97,387	1.4%
Total Funds	\$ 9,637,191	\$ 9,701,191	\$ 6,861,387	-\$ 2,839,804	-29.3%

Note: The fiscal 2008 appropriation does not include deficiencies.