

**HSCRC Analysis of Medicaid Payer Mix  
Dimensions Health System - December 2004**

**Payer Mix**

- Prince George's Hospital Center provides services to a greater share of Medicaid recipients and the self-pay population than the statewide average. In FY 2004, 41% of PGHC's inpatient cases were reported to be Medicaid recipients while 18% all cases industry-wide were Medicaid. Likewise, 8.7% of cases were self-pay at PGHC compared to 4.5% across the industry. Virtually all of the cases categorized as self pay are considered to be uncompensated care.
- Accordingly, PGHC commercial payer percentage is significantly less than the statewide average.
- Similarly, on the outpatient side, PGHC serves a significantly higher proportion of Self-pay and Medicaid patients than the statewide average. The proportion of self-pay resulting from outpatient services is higher than that for inpatient services overall.
- Traditionally, PGHC has been among the top two hospitals with the highest percentage of Medicaid and self-pay patients in Maryland.

**% of Inpatient Cases by Payer - FYs 2003 and 2004**

Payer	FY 2003			FY 2004		
	PGHC	Laurel	Statewide	PGHC	Laurel	Statewide
Commercial	30.21%	37.87%	40.28%	29.46%	38.78%	39.60%
Medicaid	43.17%	19.59%	17.43%	41.17%	17.58%	17.97%
Medicare	17.72%	34.05%	35.98%	18.73%	34.39%	35.98%
Other	1.81%	2.67%	1.88%	1.95%	2.44%	1.93%
Self-pay	7.09%	5.83%	4.42%	8.69%	6.83%	4.52%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**% of Outpatient Cases by Payer - FYs 2003 and 2004**

Payer	FY 2003			FY 2004		
	PGHC	Laurel	Statewide	PGHC	Laurel	Statewide
Commercial	35.76%	52.64%	46.35%	33.97%	49.18%	45.33%
Medicaid	22.39%	9.02%	17.19%	23.06%	11.20%	17.69%
Medicare	7.35%	10.45%	16.54%	6.86%	10.16%	16.75%
Other	2.94%	4.42%	4.59%	2.69%	4.19%	4.43%
Self-pay	31.56%	23.47%	15.33%	33.42%	25.27%	15.80%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

- \* Data represents hospitals' reporting of "expected payer" during patient stay.
- \* "Other" includes Workers' Compensation, Title IV, Donors and Charity Care
- \* "self-pay" includes expected bad debt and payment from patients without insurance

Source: FY 2003 and 2004 HSCRC Inpatient and Outpatient Case-mix/Discharge Data. Represents expected payer source during stay.

**Physician Subsidies**

- While hospitals are paid for Medicaid recipients at the rate set for all payers under the All Payer System, physicians are paid at rates that tend to be 60% to 70% of Medicare rates. Moreover, physicians receive very little, if anything, from self-pay patients. Physicians at hospitals with a reasonable proportion of commercial cases are generally able to offset their losses attributable to Medicaid and self-pay patients. Hospitals with high Medicaid and Self-pay proportions receive continued pressure to subsidize payments to physicians in order to keep an appropriate level of physicians at the hospital. In FY 2003, PGHC realized a loss of \$11.3 million to pay for physician subsidies. This represents 6.2% of PGHC's regulated net operating revenue for FY 2003. By comparison, Laurel paid \$1.6 million in physician subsidies, representing 2.5% of its regulated net operating revenue.

## Uncompensated Care - Actual and in Rates

- The HSCRC uses an algorithm to determine the amount of uncompensated care to be included in rates. The algorithm uses specific criteria to compare a hospital's actual uncompensated care experience, current uncompensated care provision in rates and the reasonable level of uncompensated care as determined by a statistical analysis. The outcome of this comparison is the uncompensated care provision to be prospectively built into rates. Since the uncompensated care provision is represented as an annual markup to rates, this mechanism is employed to ensure that the amount of uncompensated care is reasonable.
- Funding is provided partially through a rate markup and partially through an uncompensated care pool.
- PGHC has historically experienced actual UC in excess of statewide UC. In FY 2002 and 2003, PGHC's actual Uncompensated Care and the amount provided in rates is significantly higher than both Laurel's and Maryland hospitals' statewide. The Uncompensated Care markup for PGHC in FY 2003 was 15.93% compared to 7.86% at Laurel and 7.39% statewide.

**Total Uncompensated Care - Actual and In Rates  
FY 2002 and 2003**

Hospital	FY 2002			FY 2003		
	Actual UC\$	Actual UC%	UC in Rates %	Actual UC\$	Actual UC%	UC in Rates %
<b>PGHC</b>	\$26.3	13.09%	15.22%	\$26.5	13.02%	15.93%
<b>Laurel</b>	\$5.9	7.81%	9.36%	\$6.6	8.66%	7.86%
<b>Statewide</b>	\$493.3	7.50%	7.41%	\$511.8	6.60%	7.39%

Source: Payer Differential Schedule of HSCRC Annual Report

- Since the UC provision represents a markup on all rates across the hospital services, the higher rates create competitive issues for hospitals for hospital with high UC provisions. However, this is somewhat mitigated by the fact that hospitals with UC provisions above a certain UC rate receive funding through the UC pool established through the rates of all hospitals.
- Dating back to 2000, the HSCRC has adjusted the PGHC UC provision to recognize years of under-funding for uncompensated care prior to 2000.