



Myths and Facts About the Prince George's County Hospital System

In response to the possible closure of hospitals in Prince George's County, the Prince George's County Council released a Frequently Asked Questions document. These FAQs contain a number of errors that require an answer or at least commentary.

Q.) What is the Prince George's hospital system?

Prince George's County Council says:

A.) This is a misnomer. Prince George's County Government does not own or operate any hospital system.

Dimensions Health Corporation owns Prince George's Hospital Center (in Cheverly) and a number of other health facilities located within Prince George's County. This includes Bowie Health Center, Laurel Regional Hospital and Gladys Spellman Specialty Hospital and Nursing Center.

Dimensions Health Corporation holds the certificate of needs and license to operate this system in Prince George's County.

Prince George's County owns the land and buildings upon which Dimensions Health Corporation operates its health care system.

Dimensions Health Corporation holds a 59 – year lease agreement on the land, which began July 1, 1983 and extends through June 30, 2042. The current lease requires compensation to the County of \$1.00 per year.

Dimensions Health Corporation is a private, not-for-profit corporation. Dimensions management issues its own bonds, hires employees, and negotiates their own pension plan.

The truth is:

The county does own the Prince George's hospitals.

In a legal agreement reached in 1983, the County is clearly the owner of the property and facilities and Dimensions is merely the leaseholder and operator of these assets.

Moreover, under the Lease, the County retains quite a bit of control of operations, including two automatic members of the Dimensions Board of Directors.

Upon termination of the lease, the County (as owner) again regains control of the property and facilities.

If you own it, you are responsible for it.

Unlike other jurisdictions in Maryland, the County never sold its hospital system.

Rather, it essentially created a management company to run the system for the County.

At the time this was done, the County was losing \$5 million per year on the system.

Q.) What is the problem we are facing with maintaining a healthy hospital system?

Prince George's County Council says:

Dimensions Health Corporation's management has been ineffective in managing the facilities and controlling costs including poorly negotiated labor agreements, undercapitalized facilities, and recruiting and retaining healthcare professionals.

The truth is:

This statement is inconsistent with all of the reports and studies regarding the hospital system.

Hospital employees have made multiple concessions at the bargaining table. The lack of cash, due to the inability to share its uncompensated care burden with other hospitals, has caused the problems with the undercapitalized facilities and brain drain of healthcare professionals.

Q.) How did we get into this financial situation?

Prince George's County Council says:

Fifty percent of patients at the Cheverly Hospital are uninsured or covered by Medicaid which only pays a portion of the bill. This problem is compounded by the rate reimbursement structure, which does not adequately cover the costs of physician services. Finally, due to higher rates and deteriorating facilities, patients that are insured or have the ability to pay are referred to other hospitals in the region for care.

As recognized here by the County Council, the number of uninsured and underinsured at Prince George's Hospital Center is the heart of the problem, not mismanagement or inefficiency. Because of this payer mix, the hospital must pay physicians in excess of \$12 million annually to provide necessary coverage. There is no offsetting source of revenue for this physician cost. In other words, the hospital starts every year \$12 million in the hole.

Q.) Why is a health care system in Prince George's County important to the State of Maryland and the Washington region?

Prince George's County Council says:

Dimensions Health Corporation is the largest provider of healthcare services in Prince George's County. It services approximately 180,000 patients annually from the Washington region, and reportedly has the second busiest trauma center in the State of Maryland.

Here the Council is correct. *Closing the hospitals would overburden every hospital in Maryland and the region.* This is a statewide crisis. All the more reason for the Council to be eager to work with the state to resolve this problem. If the Prince George's hospital system were to close, there would be a negative economic ripple effect for virtually every other hospital in the state of Maryland. The impact would extend to every emergency room throughout the entire area. At the present time, hospitals throughout this region are routinely on yellow and red alert due to lack of capacity. In the event of closure, an additional 120,000 emergency patients from Dimensions would flood the system and lead to delays in treatment and additional bottlenecks to care.

Q.) What is uncompensated care?

Prince George's County Council says:

This is when healthcare services are provided; and the cost of these services is not fully covered by private insurance companies, reimbursed by third-party insurers, or patients receiving the services.

The Prince George's County Council has maintained that the County should not be responsible as an insurer of last resort for the uninsured. But is it fundamentally fair to make this the responsibility of the hospital, and then accuse it of mismanagement when the burden becomes overwhelming?

Q.) Who is responsible for the uncompensated care of patients serviced by Dimensions Health Corporation?

Prince George’s County Council says:

Primarily, the responsibility belongs to Dimensions Health Corporation. Additionally, the Maryland Annotated Code, Health - General Section 2-105 (b) states: “The Secretary (of the Department of Health and Mental Hygiene) is responsible for the health interests of the people of this State and shall supervise generally the administration of the health laws of this State and its subdivisions.”

The truth is:

Prince George’s County and its hospitals are responsible for caring for uninsured patients.

The lease between the County and Dimensions requires that the Prince George’s Hospital system treat those patients who do not have insurance. It also states that, in recognition of this requirement, the County agrees to pay Dimensions \$2.5 million a year. For many years during the Curry administration, this was not done.

Q.) How many patients are serviced annually by Dimensions Health Corporation in Prince George’s County?

Prince George’s County Council says:

Dimensions Healthcare Corporation has reported servicing approximately 180,000 patients per year.

Correct. Here is a breakdown of the patients served in 2006 by Dimensions

Facility	Inpatient/ Outpatient Admissions
Prince George's Hospital Center	72,497
Laurel Regional Hospital	49,763
Bowie Health Center	42,981
Gladys Spellman Specialty Hospital	218
Senior Health Center	2,517
Glenridge Medicine / OB Clinics	10,425
DIMENSIONS FY 2006 TOTAL PATIENTS	178,401

Q.) What percentage of these patients are uninsured or underinsured?

Prince George’s County Council says:

Dimensions has reported that approximately 50 percent of patients are uninsured or underinsured.

Correct. As we’ll see below, this key admission by the Council undermines its own case that the hospital’s problems stem mostly from mismanagement. A breakdown from FY 2006 shows that Prince George’s Hospital Center had the highest proportion of uninsured, Medicaid, and other government patients of any hospital in Maryland.

Hospital	Total	Uninsured	% Dis-
	Inpatients	Medicaid/ Other	proportionate Share
		Government	
Prince George’s Hospital Center	18,129	9,504	52.42%
Maryland General	12,648	6,624	52.37%
Bon Secours	7,620	3,697	48.52%
Johns Hopkins Bayview	22,849	10,383	45.44%
Mercy	18,957	7,712	40.68%
University of Maryland	34,606	13,658	39.47%
Johns Hopkins Harbor	43,772	15,199	34.72%
Hospital Center	14,384	4,843	33.67%
Southern Maryland Hospital Center	18,403	5,740	31.19%
Laurel Regional Hospital	7,264	2,233	30.74%
Top 10 Subtotal	198,632	79,593	40.07%
Other Maryland Hospitals	544,230	107,127	19.68%
Total Maryland Discharges	742,862	186,720	25.14%

Q.) Has the Prince George's County Council worked to maintain operations of Dimensions Health Corporation? If so, how?

Prince George's County Council says:

Since 2003, the Prince George's County Council has approved more than \$43 million in emergency funding to sustain the operations of Dimensions Health Corporation.

As the real owner of the hospital system, it is hardly surprising that the County has contributed significantly to the system's funding. Again, the County undermines its own claim that Dimensions is solely responsible for patients.

Q.) Is the Prince George's hospital system earmarked in the County's annual budget like education, police, fire, etc?

Prince George's County Council says:

No. Dimensions Health Corporation is not a public agency or institution, but a private corporation. Prince George's County has pledged \$45 million in operating funds to sustain the operation of Dimensions Health Corporation. Since 2003 the County has provided funding totaling \$43 million. An additional \$5 million is proposed for fiscal year 2008.

The truth is:

Dimensions is a quasi-private organization that was created by the County in 1983 with a very public mission of assuring access to necessary healthcare for the citizens of Prince George's County. The funding received by Dimensions from Prince George's County has been necessary to sustain operations. A problem, however, has been the predictability of this funding. That is why Dimensions' Oversight Committee in 2005 recommended a stable source of funding:

"Recommendation Three: Immediately create a revenue source to support the operations of the system. The turnaround firm has estimated a need for additional public funding on the order of \$30-35 million over the next 18 months (through the end of FY 2006), with possibly even greater needs in FY 2007. These funds are needed to support the turnaround efforts that are underway and to address the system's immediate and critical capital needs. If the system is to succeed, a reliable public revenue source is essential. The Prince George's County Executive, County Council, and the State must take actions to establish such a revenue stream." (p. 8)

Q.) Has the State of Maryland worked to maintain operations of Prince George's hospital system? If so, how?

Prince George's County Council says:

The State has provided \$11.3 million in operating funds and \$13.3 million in capital funds for Dimensions Health Corporation since fiscal year 2003.

The truth is:

As a condition of receiving this money, the County was obligated to present a long-term plan to the State. This has not been done. Without a long-term plan, the financial problems continue to grow making a solution ultimately more expensive.

Q.) What are the major financial liabilities associated with Dimensions Healthcare Corporation?

Prince George's County Council says:

The major liabilities of Dimensions Healthcare Corporation are the long-term unfunded pension liability of approximately \$70 million and the bond indebtedness of approximately \$71 million.

The truth is:

According to the January 2007 Report of Actuarial Valuation of the pension system, as of December 31, 2006, the unfunded pension liability is now down to \$52 million. The bond indebtedness is like a mortgage. It was used to replace antiquated facilities and equipment. Dimensions has never missed a bond payment. According to Dimensions' financial statement for March 2007, the bond indebtedness was been reduced to \$69 million (long term debt and current portion thereof).

Q.) Who is responsible for making the debt associated with Dimensions current?

Prince George's County Council says:

Dimensions Health Corporation.

The truth is:

This seems to be a strange way of asking why Dimensions is in so much debt. As previously addressed, the main reason is the system's high percentage of un- and under-insured patients.

Q.) Does Prince George's County currently have the money in its budget to contribute \$176 million to the hospital system?

Prince George's County Council says:

No.

The truth is:

The County could easily cover this cost. The County's contribution of \$176 million as laid out in Gov. O'Malley's plan is spaced out over eight years. And the first year's contribution is a mere \$8 million.

Q.) If Prince George's County contributes \$176 Million to the hospital system, will this negatively affect other County services? If so, which ones?

Prince George's County Council says:

Yes. The money that the State is asking the County to contribute to Dimensions Health Corporation would mean the County will be unable to adequately fund current Prince George's County Government services. This would compromise funding for the Prince George's County Public School System, Police, Fire/EMS, Homeland Security, Corrections, Sheriff and numerous Human Services. This could also require County government hiring freezes, reduction-in-forces and freezes of union and non-union salary and benefit enhancements. This would reduce the quality of government services and put Prince George's County at a competitive disadvantage.

The truth is:

This scenario is false.

The county has a \$2.6 billion general fund. According to the FY 2006 Consolidated Annual Financial Audit, the County has \$289.7 million in its reserve fund. That equals 11% of the General Fund, even though the County Charter only requires 5%. There are plenty of funds available for the County to meet its commitment under the state's proposal without cutting essential services.