



Assessment of Service Changes at the University of Maryland Shore Medical Center at Chestertown

Report required under 2019 Laws of Maryland, Chapter 406 (Senate Bill 1010) and the Conference Report for Chapter 565 (House Bill 100)

January 16, 2020

Key Assessment Finding: Change in Service Type

- In 2015 and 2018 , UMSMC-Chestertown provided medical/surgical/gynecological/addictions (MSGA) services. It did not provide obstetric, pediatric, or acute psychiatric services.
 - In 2015 and 2018, SMC-Easton provided, MSGA and obstetric services. SMC-Easton is authorized to provide acute psychiatric services after SMC-Dorchester completes conversion to an FMF.
- In 2015 and 2018, UMSMC-Chestertown provided services typical of a small rural hospital.
 - No service categories comprising the most frequently provided at the hospital disappeared or were added over this period.
 - Five APR-DRG service lines observed in 2015 were not observed in 2018, but these were infrequently used service lines in 2015.

Key Assessment Finding: Change in Service Volume

- Inpatient discharges declined by 32% (576) between 2015 and 2018 at UMSMC at Chestertown
 - Licensed bed capacity (based on 140% of average daily census) declined from 31 in 2015 to 12 in 2020 (-61%)
- Outpatient visit volume declined by 5% between 2015-2018
- UMSMC has lost market share within its 85% relevance inpatient service area
- UMSMC at Easton saw a decline of 7% (628) in inpatient discharges between 2015 and 2018
 - Licensed acute care bed capacity declined from 112 to 97 between 2015 and 2020 (-13%)
- Outpatient visit volume increased two percent at Easton over this period
- The Easton hospital gained inpatient market share in the Chestertown hospital's service area between 2015 and 2018

Key Assessment Finding: Change in Quality of Care

- UMSMC at Chestertown has reduced readmissions or potentially preventable or avoidable admissions at a faster pace than the state's hospitals as a whole.
 - In 2015 UMSMC had a high proportion of such admissions and its levels are still relatively high.
 - This improvement has contributed significantly to the reduction in patient discharges
- Looking at available quality measures overall, the Chestertown hospital's performance is similar to other Maryland hospitals (generally, an average performer)

SMC-Chestertown and SMC-Easton

- While both hospitals have seen declining demand for inpatient care, SMC-Easton has been the largest recipient of the shift of Chestertown service area demand away from the Chestertown hospital.
- SRH has made decisions to “regionalize” administrative functions and some clinical services. These actions do not appear unusual or inconsistent with the challenging market environment or financial incentives presented to SRH. They have the effect of further marginalizing Chestertown as a site for service delivery.

Assessment: Causes for the Observed Changes at UMSSMC at Chestertown

- Why is inpatient volume declining? Reduction in PQI and readmissions, national trend of reduced inpatient utilization, and market shift.
- Why is inpatient care migrating away from UMSSMC at Chestertown (market shift)?
 - Shifting perceptions of the hospital by physicians and patients
 - Some responses by Shore Regional Health to the declining demand for service may have exacerbated the decline.

MHCC is not able to discern any formal plan being implemented by Shore Regional Health expressly designed to force a market shift in hospital service provision from Chestertown to Easton.

SMC-Chestertown Financial Performance 2015-2018

- The decline in service volume experienced by UMSMC at Chestertown between 2015 and 2018 did not result in a negative impact on the hospital's financial performance over this period.
- The Maryland Model for hospital payment is a moderating influence on the short-term impact of service volume changes on revenue. Charges are adjusted as service volume declines to meet the global revenue target (making the hospital more expensive for patients and payers).
- An accelerated decline in inpatient service volume occurred after the end of the study period (2018), and UMSMC's FY 2019 financial state shows a \$7,411,000 operating loss.