
Virginia Department of Health
Office of Emergency Medical Services

Trauma Fund Report on:

Use of Funds in
Improving Virginia's Trauma System, and

Review of Feasible Long Term Financing
Mechanisms and Potential
Funding Sources for Virginia's Trauma Centers

Pursuant to Item 290-D of the Appropriation Act

December 1, 2009

Executive Summary: In Virginia, 14 hospitals voluntarily undergo Trauma Center designation and commit to provide a higher level of care necessary to the seriously injured. Despite the value Trauma Centers provide to the community, trauma centers continue to face a variety of challenges that have led to a loss of Trauma Center designations or downgrades in coverage across the nation as well as in Virginia. These challenges are deterring additional hospitals from seeking Trauma Center designation.

Trauma Fund Summary: In the 2004 General Assembly Session House Bill (HB) 1143 amended the Code of Virginia by adding § 18.2-270.01 which established the Trauma Center Fund for the Commonwealth of Virginia. This was the first step in addressing the challenges faced by Virginia's trauma centers.

This bill required that persons convicted of criminal violations pursuant to §§ 18.2-36.1, 18.2-51.4, 18.2-266 or 46.2-341.24 (DUI), and who had also been previously convicted of one or more of these violations, pay a fine of \$50 into the Trauma Center Fund.

HB 2664, passed during the 2005 Legislative Session, required that before granting or restoring a license or registration to any person whose driver's license or other privilege to drive motor vehicles or privilege to register a motor vehicle has been revoked or suspended, the Commissioner of the Department of Motor Vehicles must collect from that person a fee of \$40 in addition to all other fees provided for in this section. The additional \$40 fee must be paid into the Trauma Center Fund.

In 2006, language was added to the Appropriations Act specifying and requiring that the Virginia Department of Health's Office of Emergency Medical Services (OEMS) report on the use of these funds in improving Virginia's Trauma System to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by October 1 of each year.

Trauma System Funding Challenges: The Trauma System faces financial burdens for two major reasons: uncompensated or undercompensated care and readiness costs that are not factored into reimbursement rates by public or private insurers. These challenges intensified during FY09 due to economic conditions. The Centers for Disease Control and Prevention states that trauma patients are disproportionately uninsured at a rate 20% higher than all other patients in all other types of health care delivery settings. This higher rate has historically been attributed largely to young adults no longer being covered by their parent's health insurance and not yet achieving professional positions that offer them health benefits. However, it is likely that future data will show that other socioeconomic groups are also significantly affected with the rise in unemployment and the decrease in the number of Americans covered by health insurance.

The Joint Legislative Audit and Review Commission (JLARC) studied the use and financing of Trauma Centers in Virginia to identify any steps that could be taken to maintain appropriate and necessary trauma services in the Commonwealth. The financial analysis provided by JLARC of trauma programs in Virginia revealed that uncompensated care, low reimbursement rates from public insurers, and readiness costs created a \$44 million loss across Virginia trauma centers in 2003. JLARC also stated that this level of economic losses could result in the closure of trauma

programs and that the State may wish to provide financial support to Trauma Centers. Table 1 projects the 2003 economic losses estimated by JLARC forward through 2009, based on an annual inflation rate.

Table 1

Source of Losses	2003	2004	2005	2006	2007	2008	2009
Unreimbursed Readiness Cost of Publicly Insured Patients	\$5,000,000	\$5,133,152	\$5,307,065	\$5,478,260	\$5,634,292	\$5,850,623	\$5,865,052
Unreimbursed Readiness Cost of Privately Insured Patients	\$12,000,000	\$15,240,000	\$15,758,160	\$16,262,421	\$16,717,769	\$17,135,713	\$17,307,412
Unreimbursed Readiness Cost of Uninsured Patients	\$6,400,000	\$6,570,434	\$6,793,042	\$7,012,172	\$7,211,893	\$7,488,797	\$7,507,266
Losses on Clinical Care Provided to Publicly Insured Patients	\$7,000,000	\$7,186,413	\$7,429,891	\$7,669,564	\$7,888,009	\$8,190,873	\$8,211,074
Losses on Clinical Care Provided to Uninsured Patients	\$13,600,000	\$17,272,000	\$17,859,248	\$18,430,744	\$18,946,805	\$19,420,475	\$19,615,068
	\$44,000,000	\$51,401,999	\$53,147,406	\$54,853,161	\$56,407,768	\$58,086,481	\$58,505,872

Note: Annualized Inflation Rate per U.S. Department of Labor

Source: VDH staff analysis based on 2004 JLARC Trauma System Study

The JLARC report also stated “State support could also provide an incentive for additional hospitals to seek Trauma Center designation in areas that are currently underserved”. This in fact did occur with the addition of Mary Washington Hospital in Fredericksburg as a Level II Trauma Center, which was one of the areas of the Commonwealth identified as underserved. Mary Washington Hospital will not be reflected in the Trauma Center Fund report until FY10 figures are released.

Additionally, Trauma System readiness costs are not accounted for by public or private payers. Payment from these sources is based on the actual clinical care that was provided. The specialized training, extra staffing, surgical specialties that must be immediately available, and extra infrastructure required by trauma center designation must be absorbed by the facility and are usually either cross-subsidized by other initiatives or else abandoned.

The Use of Trauma Center Funds for Maintaining and Improving Virginia's Trauma

System: The Trauma Fund directs funds to be used for defraying the costs of providing emergency medical care to trauma and to recognize uncompensated care losses. The Appropriations Act describes uncompensated care losses as including readiness costs and clinical services incurred by providing care to uninsured trauma patients. The level of readiness required of a trauma designated hospital is unparalleled by other disciplines and is where the OEMS has focused the efforts of the Trauma Center Fund in supporting Virginia's Trauma System.

OEMS administers the Trauma Center Fund and maintains a methodology for disbursing monies from the fund. The methodology is based on the number of patient admission days for trauma patients involved in motor vehicle crashes each designated hospital provided during a one year period versus the total number of admission days provided by all designated centers. A percentage is assigned based on these admission days and that is the percentage of funding the hospital receives. This methodology is reviewed annually by OEMS, with stakeholder participation, and revised to meet the current needs of the system. Figure 1 illustrates how the \$9,496,828 of funding was utilized in FY09. Of this funding \$1,000,000 was transferred to the State's General Fund, an additional 10 percent is also being proposed to be transferred from the Trauma Center Fund to the General Fund in FY10 as a result of the Commonwealth's decrease in revenue.

The Trauma Center Fund Disbursement Policy focuses on the readiness cost incurred by hospitals specifically due to being designated as a Trauma Center. OEMS focuses on readiness cost because these costs account for greater than 50 percent of the almost \$60 million per year estimated loss by designated Trauma Centers. Figure 2 demonstrates the additional costs due to the need for increased clinical staffing that trauma centers incur solely to meet designation criteria. Other state programs such as the Disproportionate Share Hospital program and the State and Local Hospitalization program do address uncompensated medical care.

Figure 1

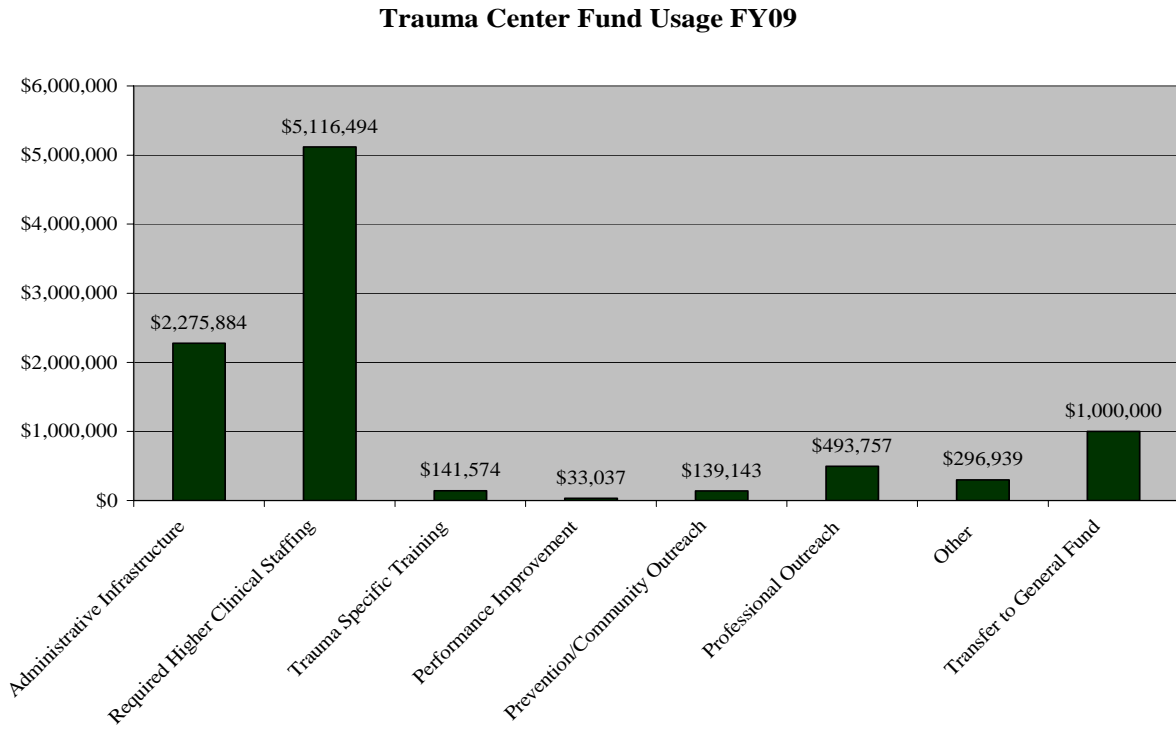
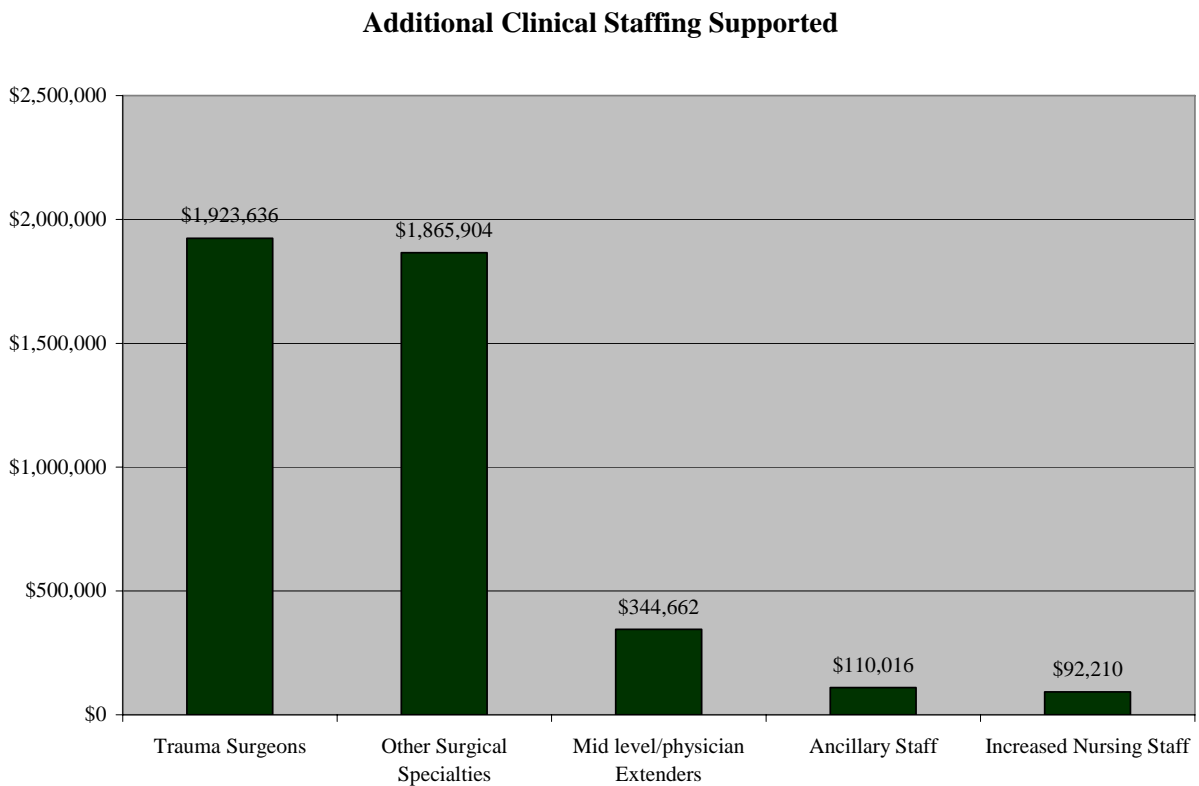


Figure 2



Feasible Long Term Financing Mechanisms, Examine, and Identify Potential Funding Sources for Virginia's Trauma Centers: Currently the only funding dedicated to Virginia's Trauma System is the Trauma Center Fund. Trauma System advocates and stakeholders continue to attempt to bring attention to the financial needs of Trauma Centers and state trauma systems. National organizations such as the American College of Surgeons, the Coalition for Trauma Care and others, continue to demonstrate the need for a national level trauma program to support state trauma systems and for higher reimbursement rates to be set for trauma specific health care, but these efforts have been unsuccessful to date. OEMS, in partnership with the Trauma Fund Panel, will perform an analysis of funding streams being used by other states to support trauma care.
