When a freestanding emergency department comes to town, costs go up

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Rather than functioning as substitutes for hospital-based emergency departments, freestanding emergency departments have increased local market spending on emergency care in three of four states' markets

where they have entered, according to a new paper by experts at Rice University.

State policymakers and researchers should carefully track spending and use of emergency care as freestanding emergency departments disseminate, to better understand their potential health benefits and cost implications for patients, the researchers said. The study appears in the journal *Academic Emergency Medicine*.

Freestanding emergency departments deliver emergency care in a facility that is physically separate from an acute care hospital. They are commonly found in strip malls in urban parts of Texas.

"Proponents of freestanding emergency departments claim that these facilities can relieve the burden of overcrowded waiting rooms in hospital-based emergency departments," said Vivian Ho, lead author and the James A. Baker III Institute Chair in Health Economics and director of the Center for Health and Biosciences at Rice's Baker Institute for Public Policy. "We sought to test whether these facilities increase spending, because they might serve as supplements to traditional emergency departments rather than substitutes."

There have been numerous stories in the media of patients seeking care in these facilities, who were shocked when they later received bills totaling thousands of dollars.

"Consumers mistakenly thought that freestandings would be low-cost because they look so much like a neighborhood clinic, and facility staff often told patients that their care would be covered by their health insurance, when in fact it wasn't," said Ho, who is also a professor of economics at Rice and a professor of medicine at Baylor College of Medicine.

The researchers accessed the de-identified claims data for 2013 through 2017 from Arizona, Florida, North Carolina and Texas through Rice's participation in the Blue Cross Blue Shield Alliance for Health Research, which was established to engage leading U.S. health care researchers in collaborative efforts to explore critical health care issues. The collaboration provides researchers with access to HIPAA-compliant data from Blue Cross Blue Shield Axis, the largest collection of commercial insurance claims, medical professional and cost of care information, through a secure data portal.

They chose to examine claims from these four states, because BCBS has a relatively large market presence in them, and they also experienced significant entry of freestanding emergency departments in the past few years. The researchers aggregated the information on emergency department spending (both at hospitals and freestanding emergency departments) into 495 different local markets (Public Use Microdata Areas, or PUMAs) by quarter and year.

They then merged the spending data with counts of freestanding emergency departments by quarter and year in each local market, as well as demographic characteristics of the population in each PUMA. Finally, the researchers applied regression analysis to track changes in average emergency department spending as freestanding emergency department entry increased over time in each local market, controlling for sociodemographic changes that also occurred during the study period.

The researchers found that entry of an additional freestanding emergency department in a local market was associated with a 3.6 percentage point increase in emergency provider reimbursement per insured beneficiary in Texas, Florida and North Carolina. There was no change in spending associated with a freestanding emergency department's entry in Arizona. Entry of an additional freestanding emergency department was associated with an increase in emergency

department utilization in Texas, Florida and Arizona, but not in North Carolina. The implied increases in utilization varied between roughly 3 and 5%. The estimated out-of-pocket payments for emergency care increased 3.6% with the entry of a freestanding emergency department in Texas, Florida and Arizona, but declined by 15.3 percentage points in North Carolina.

"Health care continues to account for an increasing share of the U.S. economy, and emergency care spending as a share total health care costs is also rising," Ho said. "Therefore it is troubling that in three of four states, entry of freestanding emergency departments results in higher spending, which may not yield significant health benefits. Given that previous studies suggest that much care provided by freestanding emergency departments could be delivered in lower-cost settings, policy makers should carefully regulate entry of these providers as well as their billing practices."

"We are pleased to bring transparency and insights to critical health issues, such as the rising cost of emergency care, and to work alongside Rice University and the eight other prestigious institutions participating in the Blue Cross Blue Shield Alliance for Health Research," said Maureen Sullivan, chief strategy and innovation officer for the Blue Cross Blue Shield Association. "Our priority is to make the data available so we can generate meaningful solutions that improve quality of care and affordability for all Americans."

More information: Vivian Ho et al, Freestanding Emergency Department Entry and Market-level Spending on Emergency Care, *Academic Emergency Medicine* (2019). DOI: 10.1111/acem.13848

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