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The paper, "Freestanding Emergency Department Entry and Market-level Spending on Emergency Care," co-authored by Vivian Ho, Ph.D., was published in *Academic Emergency Medicine* in October 2019. Ho is the James A. Baker III Chair in Health Economics at Rice University's Baker Institute for Public Policy. Rice economics doctoral graduate Yingying Xu and Murtaza Akhter, M.D., an assistant professor of emergency medicine at the University of Arizona College of Medicine-Phoenix, co-authored the paper.

An electronic version of this newsletter may be downloaded at bit.ly/HPR-15-3.

Baylor College of Medicine

RICE UNIVERSITY'S BAKER INSTITUTE FOR PUBLIC POLICY

HEALTH POLICY research

Rice University's Baker Institute for Public Policy-Baylor College of Medicine
Joint Program in Health Policy Research

Do freestanding emergency departments lower market spending on emergency care by serving as lower cost substitutes for hospital EDs?

"Not in most cases," says Vivian Ho, Ph.D., the James A. Baker III Chair in Health Economics. Rather than functioning as substitutes for hospital-based emergency departments, freestanding emergency departments have increased local market spending on emergency care in three of the four state markets they have entered.

State policymakers and researchers should carefully track spending and use of emergency care as freestanding emergency departments proliferate, to better understand their potential health benefits and cost implications for patients. 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," Ho says. "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," Ho says.

For their study, Ho and her colleagues accessed the de-identified claims data for 2013 through 2017 from Arizona, Florida, North Carolina and Texas through Rice University'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 U.S. collection of commercial insurance claims, medical professional and cost of care information, through a secure data portal.

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. So 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," says Ho. "Given that previous studies suggest that much care provided by freestanding emergency departments could be delivered in lower-cost settings, policymakers should carefully regulate entry of these providers as well as their billing practices."

HEALTH POLICY research presents a summary of findings on current health policy issues. It is provided by Vivian Ho, Ph.D., James A. Baker III Institute Chair in Health Economics and director of the Center for Health and Biosciences at Rice University's Baker Institute for Public Policy, in collaboration with Laura Petersen, M.D., MPH, chief of the Section of Health Services Research in the Department of Medicine at Baylor College of Medicine.

This publication aims to make research results accessible to regional and national health policymakers. The views expressed herein are those of the study authors and do not necessarily represent those of the Baker Institute or of Baylor College of Medicine.

The Baker Institute and Baylor College of Medicine's Section of Health Services Research work with scholars from across Rice University and Baylor College of Medicine to address issues of health care — access, financing, organization, delivery and outcomes. Special emphasis is given to issues of health care quality and cost.

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