

Freestanding Emergency Departments

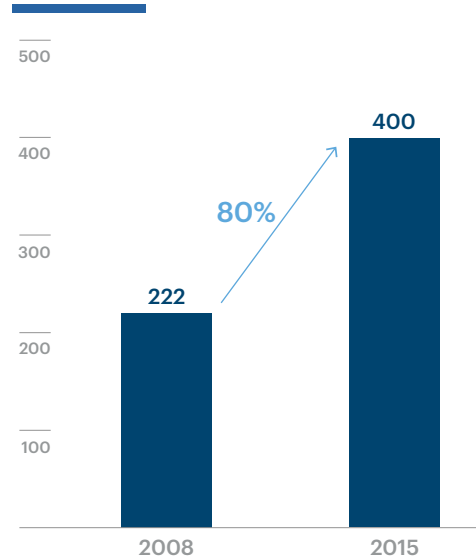
Treating Common Conditions at Emergency Prices

Emergency Departments (EDs) – both freestanding and hospital-based – treat non-emergent conditions for millions of patients each year at substantially higher prices than physician offices or urgent care centers.¹

The recent growth in freestanding EDs (FSEDs) is a result of consumer demand for convenient care options, low barriers to entry, and high profit potential. FSEDs are licensed to provide emergency medical care, and are physically separate from hospitals. Like hospital-based EDs, FSEDs encourage the use of emergency departments for non-emergent needs.² However, unlike hospital-based EDs, FSEDs often do not provide services for critical conditions such as trauma, stroke, and heart attacks; most do not receive ambulances or have an operating room on site; and they are more likely to be located in affluent areas.³

There were 400 freestanding emergency departments in the U.S. in 2015, an 80 percent increase from 222 in 2008.⁴ About half (215) are located in Texas,⁵ which began licensing FSEDs in 2010.⁶ In the past eight years, FSED visits have grown to account for over a quarter of all ED visits in Texas.⁷ This analysis draws heavily on the experience of Texas' highly developed FSED market and highlights the potential implications of FSED expansion in other States.

U.S. Growth in FSEDs, 2008 - 2015



KEY FINDINGS

- ▶ FSEDs largely treat non-emergent conditions: 2.3 percent of FSED visits are emergent or immediate and require services unique to an ED.⁸
- ▶ In Texas, the average cost of treating common conditions at an FSED (\$3,217) is 22 times more than at a physician office (\$146) and 19 times more than at an urgent care center (\$167).⁹
- ▶ Shifting the site of care for common conditions in Texas from FSEDs to physician offices and urgent care centers would reduce costs by 95 percent, resulting in a savings of over \$3,000 per visit.¹⁰
- ▶ FSEDs disproportionately serve relatively affluent communities that have access to other providers and higher utilization and spending.¹¹

Location

Rather than increasing access to emergency services in underserved communities as proponents claim, evidence indicates FSEDs disproportionately serve relatively affluent communities that have access to other providers and higher utilization and spending.¹² In Texas, FSEDs are highly concentrated around metropolitan areas; specifically, they are located in zip codes with:¹³

- ▶ Higher median incomes
- ▶ Higher rates of private health insurance coverage
- ▶ More physician offices
- ▶ More hospital-based EDs
- ▶ More physician visits
- ▶ Higher health care spending

Utilization

Approximately 8 percent of the 130 million annual visits to the nation's 4,000 hospital-based EDs are emergent or immediate and require services unique to an ED.¹⁴ According to a recent survey, the comparable share for the nation's 5 million FSED visits is even lower: 2.3 percent.¹⁵

The five most frequent diagnoses at Texas FSEDs are common conditions, most instances of which are non-emergent and treatable in lower cost sites of care, including physician offices or urgent care centers.¹⁶

While attracting patients with non-emergent conditions, some Texas FSEDs avoid treating individuals with the most severe illnesses and injuries; fewer than one in four Texas FSEDs receive ambulances.¹⁷

Top 5 Diagnoses at Texas FSEDs, 2016

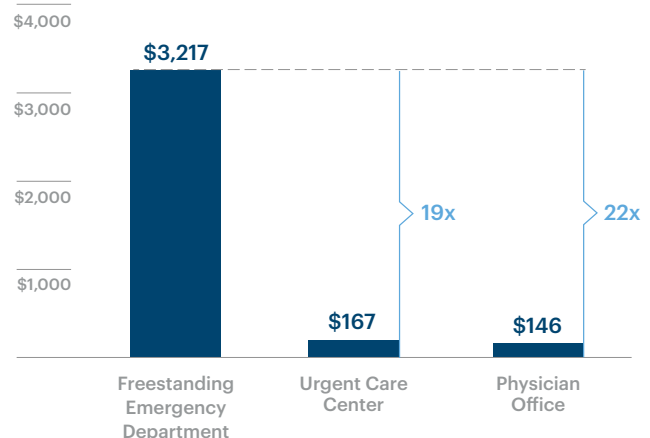
Rank	Primary Diagnosis
1	Fever
2	Acute Bronchitis
3	Acute Pharyngitis (Sore Throat)
4	Acute Upper Respiratory Infection
5	Cough

Costs

In Texas, the average cost at an FSED (\$3,217) is 22 times more than at a physician office (\$146) and 19 times more than at an urgent care center (\$167) for a set of 10 non-emergent conditions frequently treated at FSEDs.*¹⁸

- ▶ For these conditions, lab, pathology, and radiology services average \$785 at an FSED, 30 times more than at a physician office (\$26).¹⁹
- ▶ One factor that contributes to, but does not fully account for, the high cost of care at FSEDs is the facility fee, which is intended to cover the overhead of large, full-service hospitals. An estimated 93 percent of Texas FSEDs charge a facility fee,²⁰ which increases the average cost of treatment at FSEDs by over \$1,000 per visit.²¹

Average Cost for Common Conditions by Site of Care, 2016



* Note: The 10 non-emergent conditions frequently treated at FSEDs are bronchitis, sore throat, upper respiratory infection, cough, dizziness, fever, flu, headache, nausea, and strep throat.

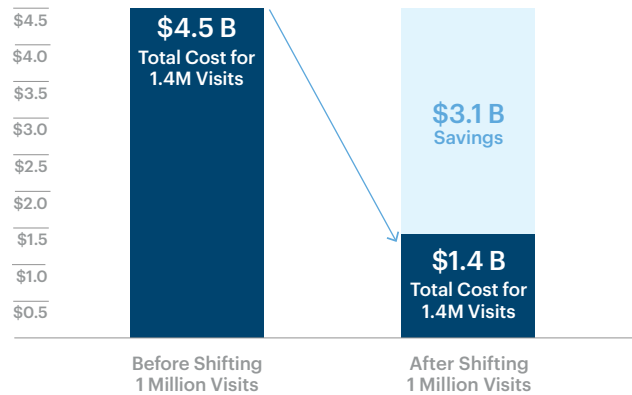
Consumers can find it difficult to distinguish between an urgent care center and an FSED.²² Consumers who seek care at an FSED, on average, are charged more than they would be at a physician office or an urgent care center.

- ▶ Consumer financial responsibility averaged more than \$800 at Texas FSEDs, compared to less than \$100 at physician offices or urgent care centers for treatment of common conditions.²³
- ▶ While some insured individuals may face only a copayment after an FSED visit, those who have not reached their annual deductible may be responsible for the full cost.

Shifting the site of care from FSEDs to physician offices and urgent care centers, on an equal basis, would reduce costs by 95 percent, resulting in a savings of over \$3,000 per visit in Texas.²⁴

- ▶ Annual FSED visits in Texas total 1.4 million, 20 percent of which are for the set of 10 non-emergent conditions.²⁵ Shifting these visits to physician offices and urgent care centers would reduce annual health care spending by over \$800 million.
- ▶ Shifting 1 million visits each year – over two-thirds of all FSED visits – to physician offices and urgent care centers would reduce annual health care spending in Texas by an estimated \$3.1 billion.

Savings Potential from Shifting 1 Million Visits to Physician Offices and Urgent Care Centers, in Billions

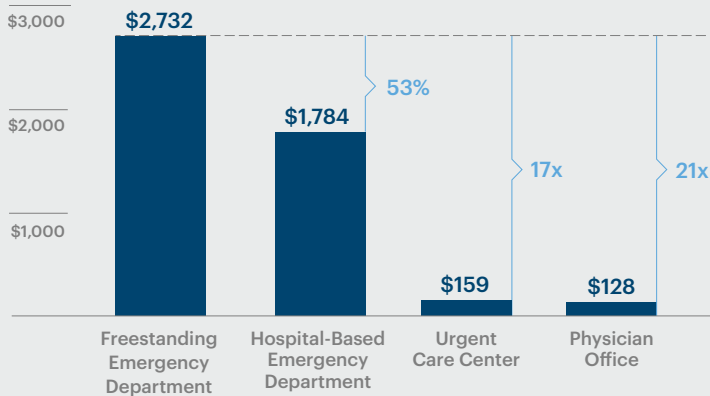


CASE STUDY

Strep Throat

The cost of treating strep throat at a Texas FSED (\$2,732) is 21 times higher than at a physician office (\$128), 17 times higher than at an urgent care center (\$159), and 53 percent more than at a hospital-based ED.²⁶

Average Cost of Treating Strep Throat at a Texas FSED, 2016



- ¹ UnitedHealthcare analysis of commercial claims in Texas, January through June 2016.
Vivian Ho, Leanne Metcalfe, Cedric Dark, Lan Vu, Ellerle Weber, George Shelton, and Howard Underwood, "Comparing Utilization and Costs of Care in Freestanding Emergency Departments, Hospital Emergency Departments, and Urgent Care Centers," *Annals of Emergency Medicine*, February 2017. [http://www.annemergmed.com/article/S0196-0644\(16\)31522-0/pdf](http://www.annemergmed.com/article/S0196-0644(16)31522-0/pdf)
- ² Catherine Gutierrez, Rachel Lindor, Olesya Baker, David Cutler, and Jeremiah Schuur, "State Regulation of Freestanding Emergency Department Varies Widely, Affecting Location, Growth, and Services Provided," *Health Affairs*, October 2016, 35(10):1857-1866. <http://content.healthaffairs.org/content/35/10/1857.abstract>
- ³ Gutierrez et al, October 2016.
Jeremiah Schuur, Christina Loporcaro, Olesya Baker, Corine Sinnette, Andrea Fantegrossi, Michael Wilson, and David Cutler, "Facilities and Operational Characteristics of U.S. Freestanding EDs: Results of a National Survey," SAEM Annual Meeting Abstracts, *Academic Emergency Medicine*, May 2016, 23: S7-S276. <http://onlinelibrary.wiley.com/doi/10.1111/acem.12974/epdf>
- ⁴ Gutierrez et al, October 2016.
- ⁵ Texas Department of State Health Services, "Profession Roster Report, Free Standing Emergency Medical Care Facility," April 3, 2017. <http://www.dshs.texas.gov/facilities/pdf/Freestanding/FECList.doc>
- ⁶ Texas Department of State Health Services, "25 TAC 131 - Freestanding Emergency Medical Care Facilities." https://www.dshs.texas.gov/facilities/pdf/Freestanding/Chapter_131_FEC_Rules.pdf
- ⁷ UHC analysis, 2016.
- ⁸ Schuur et al, May 2016.
- ⁹ UHC analysis, 2016.
- ¹⁰ UHC analysis, 2016.
- ¹¹ Gutierrez et al, October 2016.
Jeremiah Schuur, Olesya Baker, Jaclyn Freshman, Michael Wilson, and David Cutler, "Where Do Freestanding Emergency Departments Choose to Locate? A National Inventory and Geographic Analysis in Three States," *Annals of Emergency Medicine*, April 2016, 69(4):383-392. <https://www.ncbi.nlm.nih.gov/pubmed/27421814>
- ¹² Gutierrez et al, October 2016.
Schuur et al, April 2016.
- ¹³ Schuur et al, April 2016.
- ¹⁴ CDC, "National Hospital Ambulatory Medical Survey: 2013 Emergency Department Summary Tables," Table 4: Triage Status of Emergency Department Visits, by Selected Patient Characteristics: United States, 2013. https://www.cdc.gov/nchs/data/ahcd/nhamcs_emergency/2013_ed_web_tables.pdf
Gutierrez et al, October 2016.
- ¹⁵ Gutierrez et al, October 2016.
Schuur et al, May 2016.
- ¹⁶ UHC analysis, 2016.
- ¹⁷ Schuur et al, May 2016.
- ¹⁸ UHC analysis, 2016.
- ¹⁹ UHC analysis, 2016.
- ²⁰ Schuur et al, May 2016.
- ²¹ UHC analysis, 2016.
Ho et al, February 2017.
- ²² Ho et al, February 2017.
- ²³ UHC analysis, 2016.
- ²⁴ UHC analysis, 2016.
- ²⁵ UHC analysis, 2016.
Schuur et al, May 2016.
Texas Department of State Health Services, March 2017.
- ²⁶ UHC analysis, 2016.

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May 2017