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Freestanding Emergency Departments

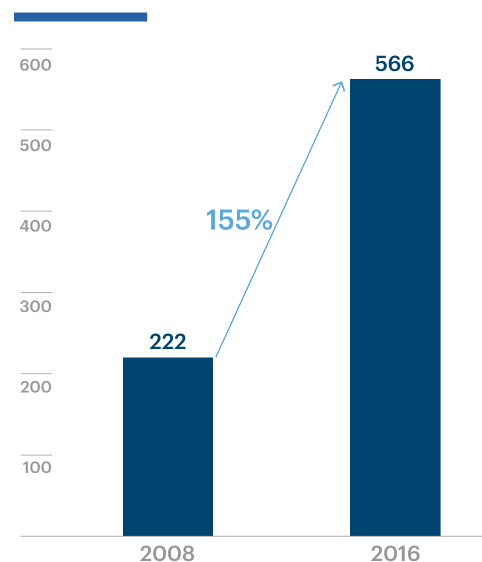
Treating Common Conditions at Emergency Prices

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]

Recent national growth in freestanding EDs (FSEDs) – both hospital-owned and independent – 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 at least 566 FSEDs in the United States in 2016,[4] 42 percent more than in 2015 and 155 percent more than in 2008.[5] Texas, which began licensing FSEDs in 2010,[6] is home to 266 FSEDs; of these, 204 (over three-quarters) are independent and the remaining 62 are hospital-owned.[7] FSED visits have grown to account for over a quarter of all ED visits in Texas.[8] This Brief draws heavily on the experience of Texas' FSED market and highlights the potential impacts of FSED expansion in other States.*

U.S. Growth in FSEDs, 2008 - 2016



KEY FINDINGS

- FSEDs largely treat non-emergent conditions: 2.3 percent of FSED visits in the U.S. are emergent or immediate and require services unique to an ED.[9]
- 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).[10]
- 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.[11]
- Across the U.S., FSEDs disproportionately serve relatively affluent communities that have access to other providers and higher utilization and spending.[12]

*Note: This analysis of FSED utilization and costs is based on commercial claims data; many hospital-owned FSEDs are not included because the claims data often do not specify whether services were provided in an FSED or in a hospital-based ED.

Location

Rather than increasing access to emergency services in underserved communities as proponents claim, national evidence indicates FSEDs disproportionately serve relatively affluent communities that have access to other providers and higher utilization and spending.[13] In Texas, FSEDs are highly concentrated around metropolitan areas; specifically, they are located in zip codes with:[14]

- 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.[15] According to a recent survey, the comparable share for the nation's 5 million FSED visits is even lower: 2.3 percent.[16]

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.[17]

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.[18]

Top 5 Diagnoses at Texas FSEDs, 2016

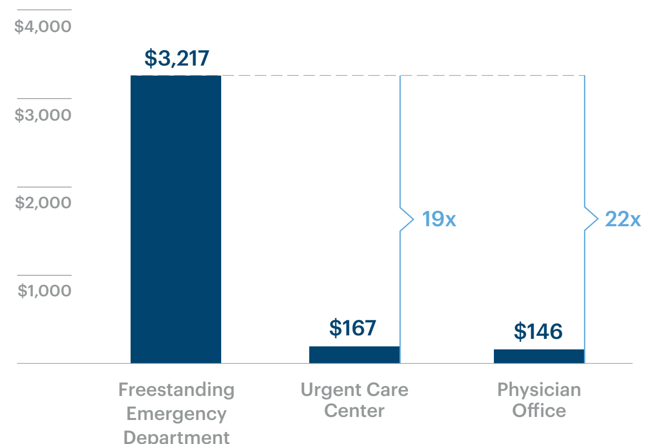
Rank	Primary Diagnosis
1	**Fever**
2	**Acute Bronchitis**
3	**Acute Pharyngitis** (Sore Throat)
4	**Acute Upper Respiratory Infection**
5	**Cough**

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.**,[19]

- For these conditions, lab, pathology, and radiology services average $785 at an FSED, 30 times more than at a physician office ($26).[20]
- 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,[21] which increases the average cost of treatment at FSEDs by over $1,000 per visit.[22]

Average Cost for Common Conditions by Site of Care, 2016



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

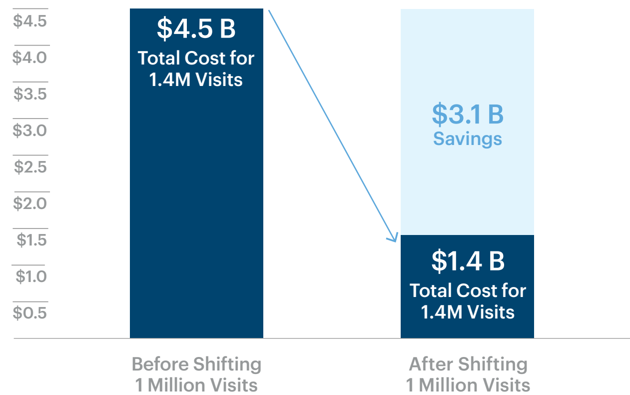
Consumers can find it difficult to distinguish between an urgent care center and an FSED.[23] Consumers who seek care at an FSED, on average, are charged more than they would be at a physician office or an urgent care center.

- 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.[24]
- 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 would result in a savings of over $3,000 per visit (95 percent) in Texas.[25]

- Annual FSED visits in Texas total 1.4 million, 20 percent of which are for the set of 10 non-emergent conditions.[26] Shifting these visits to physician offices and urgent care centers would reduce annual health care spending by over $800 million.
- Applying these savings to 1 million visits each year—over two-thirds of all FSED visits—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

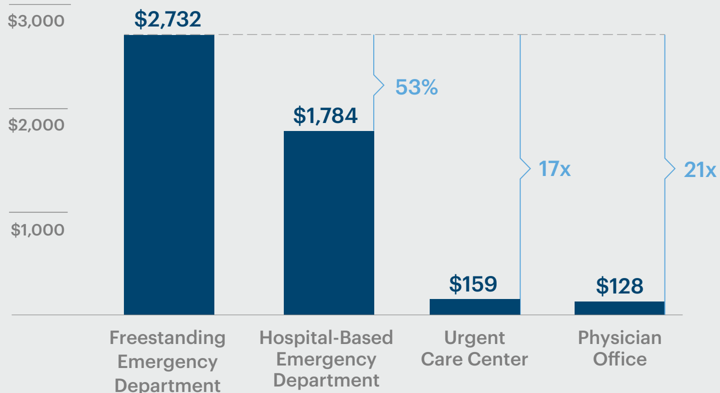


CASE STUDY

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.[27]

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



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[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

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[8] UHC analysis, 2016.

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[11] UHC analysis, 2016.

[12] 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

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Schuur et al, April 2016.

[14] Schuur et al, April 2016.

[15] 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
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[17] UHC analysis, 2016.

[18] Schuur et al, May 2016.

[19] UHC analysis, 2016.

[20] UHC analysis, 2016.

[21] Schuur et al, May 2016.

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[23] Ho et al, February 2017.

[24] UHC analysis, 2016.

[25] UHC analysis, 2016.

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