

Department of Legislative Services  
Maryland General Assembly  
2023 Session

FISCAL AND POLICY NOTE  
Third Reader

Senate Bill 234  
Finance

(Senator Klausmeier, *et al.*)

Health and Government Operations

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Health Services Cost Review Commission - Hospital Rates - All-Payer Model  
Contract

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This bill requires the Health Services Cost Review Commission (HSCRC), when considering objective standards of efficiency and effectiveness to determine the reasonableness of hospital rates, to do so in a manner consistent with the All-Payer Model Contract.

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Fiscal Summary

**State Effect:** None. The bill codifies existing practices as HSCRC currently considers the All-Payer Model Contract (and its successor agreements, currently the Total Cost of Care Model (TCOC)) when reviewing hospital rates.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law:**

*Health Services Cost Review Commission*

HSCRC is an independent State agency charged with constraining hospital growth and establishing hospital rates to promote cost containment, access to care, equity, financial stability, and hospital accountability. HSCRC oversees acute and chronic care hospitals.

HSCRC may review the costs, and rates, quality, and efficiency of facility services, and make any investigation it considers necessary to assure each purchaser of health care facility services that (1) the total costs of all hospital services are reasonable; (2) the aggregate rates of the facility are related reasonably to the aggregate costs of the facility; and (3) the rates are set equitably among all purchasers. HSCRC may review and approve or disapprove the reasonableness of any rate. In determining the reasonableness of rates, HSCRC must take into account objective standards of efficiency and effectiveness.

Consistent with the All-Payer Model Contract, HSCRC may establish hospital rate levels and rate increases in the aggregate or on a hospital-specific basis, promote and approve alternate methods of rate determination and payment that are of an experimental nature, and, on request of the Secretary of Health, assist in the implementation of federally approved model programs. Consistent with the All-Payer Model Contract, HSCRC must (1) permit a nonprofit facility to charge reasonable rates that will permit the facility to provide, on a solvent basis, effective and efficient service that is in the public interest and (2) permit a proprietary profit-making facility to charge reasonable rates that will permit the facility to provide effective and efficient service that is in the public interest, and based on the fair value of the property and investments that are related directly to the facility, include enough allowance for and provide a fair return to the owner of the facility. If HSCRC considers a further investigation necessary or desirable to authenticate information in a report that a facility files, consistent with the All-Payer Model Contract, HSCRC may make any necessary further examination of the records or accounts of the facility.

#### *Maryland's Total Cost of Care Model*

HSCRC is responsible for implementing TCOC, the successor to the All-Payer Model Contract. In calendar 2019, Maryland entered a new TCOC Model designed to (1) improve population health; (2) improve care outcomes for individuals; and (3) control growth in the total cost of care for Medicare beneficiaries. To accomplish these goals, the model is designed to move beyond hospitals to address Medicare patients' care in the community. The hospital rate-setting system is the primary mechanism used to ensure Maryland's compliance with TCOC requirements related to health care cost and hospital quality.

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### **Additional Information**

**Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** HB 420 (Delegate M. Morgan, *et al.*) - Health and Government Operations.

**Information Source(s):** Maryland Department of Health; Department of Legislative Services

**Fiscal Note History:** First Reader - January 26, 2023  
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