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2023 SESSION
POSITION PAPER

BILL NO: SB 234

COMMITTEE: Senate Finance

POSITION: Support

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

BILL ANALYSIS

SB 234 - Health Services Cost Review Commission - Hospital Rates - All-Payer Model Contract clarifies the authority of the Health Services Cost Review Commission to take into consideration the objective standards of effectiveness and efficiency to determine the reasonableness of hospital rates consistent with the All-Payer Model Contract.

POSITION AND RATIONALE

The Maryland Health Care Commission supports SB 234.

This bill makes a technical change to the HSCRC's authorizing statute that helps support the success of the Total Cost of Care (TCOC) Model. SB 234 conforms Health-General §19-219 (b) with the other provisions of the HSCRC's authorizing statute and with the State's obligations under the TCOC model agreement. The HSCRC is responsible for implementing TCOC, the successor to the All-Payer Model Contract. 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.

The HSCRC's primary mandate is to review and approve reasonable hospital rates and publicly disclose information on the costs and financial performance of Maryland hospitals. The HSCRC's rate setting authority applies to acute general and specialty hospitals, and for commercial and Medicaid services provided by private psychiatric hospitals. The HSCRC establishes hospital-specific and service-specific rates for all inpatient, hospital-based outpatient, and emergency services. In approving hospital rates, the Commission is required to assure that:

- The total costs of all services offered by a hospital are reasonable;

- Aggregate revenues of a hospital are reasonably related to its aggregate costs; and
- Rates are set equitably among all purchasers of hospital services.

SB 234 does not change the review process by the HSCRC however, it does confirm their authority to consider TCOC requirements in making determinations on the reasonableness of hospital rates. Assessing the reasonableness of hospital rates is an important authority for constraining hospital growth and establishing hospital rates to promote cost containment, access to care, equity, financial stability, and hospital accountability.

For these reasons the Maryland Health Care Commission asks for a favorable report on SB 234.

Note: The Maryland Health Care Commission is an independent State agency, and the position of the Commission may differ from the position of the Maryland Department of Health.



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February 2, 2023

The Honorable Melony Griffith
Chair, Senate Finance Committee
Miller Senate Office Building, 3 East Wing
11 Bladen St., Annapolis, MD 21401

**RE: Senate Bill 234 – Health Services Cost Review Commission -
Hospital Rates - All-Payer Model Contract – Letter of Support**

Dear Chair Griffith and Committee Members:

The Health Services Cost Review Commission (HSCRC) requests that the Committee favorably report Senate Bill 234, “Health Services Cost Review Commission - Hospital Rates - All-Payer Model Contract.”

The HSCRC has set hospital rates for all payers including, Medicaid, Medicare, commercial insurance, and self-pay, since July of 1977. The Total Cost of Care (TCOC) Model, the current State agreement with the federal Centers for Medicare and Medicaid Services (CMS), commits the State to achieving statewide financial, health care quality, population health, and care transformation targets. The hospital rate setting system is the primary mechanism used to ensure Maryland’s compliance with the TCOC Model Agreement requirements related to health care cost and hospital quality.

The TCOC Model benefits Marylanders by controlling the growth of healthcare costs, ensuring equitable funding of uncompensated care (including charity care) in hospitals, funding investments in population health, supporting key health care infrastructure (e.g., the State-Designated Health Information Exchange), and investing in primary care. SB 234 is a technical change to HSCRC’s authorizing statute that will help support the success of the TCOC Model.

SB 234 ensures that the Commission also considers the State’s obligations under the TCOC Model when taking into account objective standards of efficiency and effectiveness in establishing reasonable rates under the authority of Health General 19-219(b). The HSCRC statute already requires the Commission to take the TCOC Model into account in other aspects of the rate setting process (see Health General §19-219(c), §19-219(d), and §19-220(d)). In addition, Health General §19-226(a), which enables the Commission to conduct investigations to authenticate reports filed by hospitals, also references the Total Cost of Care Model. SB 234 will bring Health General 19-219(b) into conformity with these other provisions of law and the State’s obligations under the Total Cost of Care Model Agreement.

Adam Kane, Esq
Chairman

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William Henderson
Director
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Because of the obligations of the Total Cost of Care Model Agreement, HSCRC staff already take the requirements of the Model into account in reviewing and adjusting hospital rates. This change in law will not change how HSCRC staff review hospital rate applications. Rather, it will align this section of the authorizing law with current practice and other current statutory provisions.

The Commission urges a favorable report on SB 234. If you have any questions or if we may provide you with any further information, please do not hesitate to contact me at me at katie.wunderlich@maryland.gov or Megan Renfrew, Associate Director of External Affairs, at 410-382-3855 or megan.renfrew1@maryland.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Katie Wunderlich", with a long horizontal flourish extending to the right.

Katie Wunderlich
Executive Director

SB 234 Health Services Cost Review Commission- Hos

Uploaded by: Brett McCone

Position: INFO



Maryland
Hospital Association

February 2, 2023

To: The Honorable Melony G. Griffith, Chair, Senate Finance Committee

Re: Letter of Information - Senate Bill 234 – Health Services Cost Review Commission –
Hospital Rates – All Payer Model Contract

Dear Chair Griffith:

On behalf of the Maryland Hospital Association's (MHA) 60 member hospitals and health systems, we appreciate the opportunity to comment on Senate Bill 234.

As reflected in Maryland Health General §19-212, the Health Services Cost Review Commission (HSCRC) considers many factors when determining hospital rate changes. HSCRC is also required to consider whether the hospital has enough resources to meet its financial requirements, and HSCRC must concern itself with solutions if a hospital does not have enough resources.

The proposed statutory language change is consistent with the language found in paragraph (c): HSCRC is to establish hospital-specific rates that are consistent with the state's All-Payer Model Contract with the Centers for Medicare and Medicaid Services (CMS).

In MHA's discussion with HSCRC staff, the proposed language is understood to be added for consistency with existing statutory requirements. HSCRC already considers the Model's contract language when adjusting hospital rates, and the proposed change does not fundamentally change HSCRC's authority or practice.

For more information, please contact:

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