



Maryland
Hospital Association

February 15, 2023

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

Re: Letter of Support – Senate Bill 308- Health Insurance – Utilization Review – Revisions

Dear Chair Griffith:

On behalf of the Maryland Hospital Association's (MHA) 60 member hospitals and health systems, we appreciate the opportunity to comment in support of Senate Bill 308. Health insurance carriers often require "prior authorization," which is a process where the carriers review in advance whether a patient-requested item or service is medically necessary. While the practice can be useful, improper use of prior authorization delays access to vital health care services, leading to negative health outcomes. MHA supports proposals to reduce unnecessary delays and expedite patient access to critical health care items and services.

Maryland hospitals operate under a unique Global Budget Revenue model. Under the model, the Health Services Cost Review Commission sets each hospital's total annual revenue at the beginning of a fiscal year regardless of the number of patients served or the amount of services provided. Maryland hospitals therefore have no incentives to provide unnecessary care since additional patients or procedures would not increase a hospital's total revenue. Thus, prior authorization under GBR is largely formalistic as hospitals are already motivated to provide only necessary services.

This is consistent with the findings by the Maryland Insurance Administration (MIA). In its 2021 Report on the Healthcare Appeals & Grievances Law, MIA found that out of the 81,143 adverse decisions issued by health insurance carriers in 2021, only 1.3% were for inpatient hospital services.¹ The finding suggests that the vast majority of inpatient hospital service prior authorization requests were approved by carriers, which is consistent with the aim of the GBR to incentivize hospitals to provide only medically necessary care.

Given the low number of denials for inpatient hospital services, MHA believes that reforms to expedite—or in certain instances eliminate—prior authorization would reduce unnecessary delays to critical health care services. SB 308's proposal to shorten the amount of time carriers have available to review a prior authorization request, for example, should reduce the delay that patients must endure as they wait for health insurance carriers to approve a request. Similarly, the bill's proposal to require a study to examine adjustments to prior authorization requirements if a provider already has a high approval rate should also alleviate patient wait time. Since a

¹ "2021 Report on the Healthcare Appeals & Grievances Law." 2022.

<https://insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/2021-Report-on-the-HealthCare-Appeals-and-Grievances-Law-MSAR-6.pdf>.

significant majority of inpatient hospital services will be approved, a lengthy carrier review period only prolongs unnecessary patient anxiety and delay access to necessary care.

For these reasons, we request a *favorable* report on SB 308.

For more information, please contact:
Steven Chen, Director, Policy
Schen@mhaonline.org