



Maryland
Hospital Association

March 4, 2019

To: The Honorable Shane Pendergrass, Chair
House Health and Government Operations Committee

From: Jennifer Witten, Vice President, Government Affairs
Maryland Hospital Association
Brett McCone, Vice President of Rate Setting and Finances

Re: Letter of Concern: HB 940– Unregulated Space in Hospital Operating Suites Pilot Project

On behalf of the Maryland Hospital Association's (MHA) 62-member hospitals and health systems we support the intent of the legislation. However, we believe that this bill is premature and that adopting this bill may result in significant unintended consequences.

Under the new Total Cost of Care Model Contract with the Centers for Medicare and Medicaid Services (CMS), incentives exist to deliver health care services in the most cost effective fashion. Maryland's hospitals unequivocally support these incentives, including the most efficient use of existing operating room resources. Health plans and other market forces are requiring hospitals to move services to lower cost settings. This pilot would allow hospitals to compete for these services without incremental capital spending.

This bill would fundamentally change the HSCRC's hospital regulatory authority. By statute, the HSCRC must ensure that efficient and effective hospitals have appropriate financial resources. All hospital services reflect the costs of operating the hospital, including direct and indirect overhead costs in operating rooms. Passing this bill does not eliminate these costs. It merely spreads these costs to other rate centers. The downstream effects of this action are not predictable. If additional operating room services, or more importantly, other types of services were mandated to become unregulated, a higher share of hospital costs would be allocated over fewer services.

One of the hallmarks of Maryland's all-payer system is hospital rate funding for those who cannot afford to pay. By definition, unregulated payments do not include amounts that offset the cost of charity care. The bill requires hospitals to offer charity care consistent with hospital services but does not provide a funding mechanism like the rate setting system. As an alternative, we recommend that HSCRC convene hospitals and payers to study this issue. This would allow time to identify areas of improvement and concern, and to identify ways to address these concerns, before legislation is adopted.

For these reasons, we ask the committee and sponsor to work with MHA and HSCRC to amend the bill to a study and as amended request **HB 940 a favorable** report.