



Maryland  
Hospital Association

March 2, 2020

To: The Honorable Shane Pendergrass, Chairman, House Health & Government Operations Committee

From: Jennifer Witten, Vice President, Government Affairs Maryland Hospital Association

Re: Letter of Information—House Bill 838—Unregulated Space in Hospital Operating Suites Pilot Project Study

Dear Chairman Pendergrass:

On behalf of the Maryland Hospital Association's (MHA) 61 member hospitals and health systems, we appreciate the opportunity to comment on House Bill 838. This bill would require the Health Services Cost Review Commission (HSCRC), the Maryland Health Care Commission (MHCC), hospitals and other stakeholders to study the feasibility and desirability of a pilot project that allows for unregulated space for elective, self-pay services in a hospital operating room. It is important the committee is aware that HSCRC has brought together several stakeholders including MHA to begin to study this policy consideration over the past several months. A report has not yet been issued, as the concepts are complex and have broad implications.

Under the 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 support for most efficient use of existing operating room resources. Health plans and other market forces require hospitals to move services to lower-cost settings. This method allows hospitals to compete for these services without incremental capital spending.

By statute, the HSCRC must ensure that hospitals have appropriate financial resources. Additionally, hospital rates must be reasonably related to costs. All hospital services reflect the overall costs of running the hospital, including direct and indirect overhead costs in operating rooms. Some hospitals have capacity to add additional volume. Simply allowing a different pricing structure, despite the intent, could violate the HSCRC statute. If these services are categorically unregulated, they should be excluded from the hospitals' annual global budgets. The downstream effect of spreading the cost to other rate centers is not predictable and should be studied. If HSCRC has a pilot program in place that allows hospitals to accept reduced prices for elective, self-pay, surgical services this may provide useful data as part of the study.

By studying this issue, HSCRC, MHCC and other stakeholders have an opportunity to identify areas of improvement and to address these concerns.

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