

**Department of Legislative Services**  
Maryland General Assembly  
2020 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 42

(Chair, Finance Committee)(By Request - Departmental -  
Health)

Finance

Health and Government Operations

**Health Services Cost Review Commission - Duties and Reports - Revisions**

This departmental bill modifies the timing and required contents of the annual report of the Health Services Cost Review Commission (HSCRC) to include specified information on Maryland's current "All-Payer Model Contract." The bill (1) repeals provisions relating to a separate report on the status of the All-Payer Model Contract; (2) repeals a requirement that HSCRC publish specified information about acute care hospital charges; and (3) makes conforming changes. HSCRC is authorized to assist, on the request of the Secretary of Health, in the implementation of federally approved model programs consistent with the All-Payer Model Contract. **The bill takes effect July 1, 2020.**

**Fiscal Summary**

**State Effect:** The bill is not anticipated to affect State operations or finances.

**Local Effect:** None.

**Small Business Effect:** The Maryland Department of Health has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

**Analysis**

**Bill Summary/Current Law:** Under the bill, "All-Payer Model Contract" means the payment model demonstration agreement authorized under § 1115A of the Social Security

Act, including any amendments to the agreement between the State and the federal Center for Medicare and Medicaid Innovation (CMMI).

The bill requires that HSCRC submit its annual report by May 1 of each year (rather than by October 1) and expands the required contents of the report so that the update on the status of the State's compliance with the provisions of the current All-Payer Model Contract, includes:

- performance in limiting inpatient and outpatient hospital per capita cost growth for all payers;
- annual progress toward achieving the State's financial targets established by the contract;
- a summary of the work conducted, recommendations made (including by workgroups), and HSCRC action on activities related to the contract;
- actions approved by HSCRC to promote alternative methods of rate determination and payment of an experimental nature;
- reports submitted to CMMI relating to the contract;
- any known adverse consequences in implementing the contract, as reported to CMMI, that may negatively impact quality of or access to care, and the actions HSCRC has taken to mitigate the consequences; and
- annual progress made in the development of public and private partnerships between hospitals and other entities, including community-based physicians and organizations and other post-acute care providers, to achieve the population health goals established with CMMI.

Two other reporting provisions are repealed. First, the bill repeals the requirement that HSCRC, in consultation with the Maryland Health Care Commission, annually publish each acute care hospital's severity-adjusted average charge per case for the 15 most common inpatient diagnosis-related groups. Second, the bill repeals the requirement that HSCRC, on or before May 1 each year, submit to the Governor, the Secretary of Health, and the General Assembly, specified information on the status of the State's compliance with provisions of the All-Payer Model Contract as this information is now incorporated into HSCRC's annual report.

Under current law, if the federal Centers for Medicare and Medicaid Services (CMS) issues a warning notice related to a "triggering event" as described in the All-Payer Model Contract, HSCRC must provide written notification to the Governor, Secretary of Health,

and the General Assembly within 15 days after the issuance of the notice and submit specified updated information every three months thereafter. The bill repeals the requirement to submit updated information.

Under current law, 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 permit the facility to provide effective and efficient services and include enough allowance for and provide a fair return to the owner of the facility. The bill requires HSCRC to carry out these requirements consistent with the All-Payer Model Contract.

### **Background:**

#### *Maryland All-Payer Model Contract and Total Cost of Care Model*

Effective January 1, 2014, Maryland entered into a contract with the federal government to replace the State's 36-year-old Medicare waiver with the Maryland All-Payer Model Contract. Under the waiver, Maryland's success was based solely on the cumulative rate of growth in Medicare inpatient per admission costs. Under the model contract, however, the State was not only required to limit inpatient, outpatient, and Medicare per beneficiary hospital growth but also to shift hospital revenues to a population-based system and to reduce both hospital readmissions and potentially preventable complications.

The All-Payer Model Contract also called for Maryland to submit a proposal for a new model, no later than January 2017 that would limit, at a minimum, the Medicare beneficiary total cost of care growth rate. In July 2018, Maryland and CMS agreed to the terms of the new Total Cost of Care Model (TCOC). TCOC, which went into effect January 1, 2019, is designed to (1) improve population health; (2) improve outcomes for individuals; and (3) control growth of the total cost of care. To accomplish these goals, the model is designed to move beyond hospitals to address Medicare patients' care in the community. Under the new model, the State will be required to address care delivery across the health care system with the objective of improving health and quality of care, while limiting State growth in Medicare spending to a level lower than the national rate.

HSCRC advises that statute currently reflects Maryland's 2014 All-Payer Model Contract, which expired in calendar 2018. The bill is intended to align statute with the new 10-year TCOC Model State Agreement with the federal government and update HSCRC's related activities.

## **Additional Information**

**Prior Introductions:** HB 1426 of 2019, a substantially similar bill, passed the House and passed second reading in the Senate.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - January 13, 2020  
rh/jc Third Reader - March 15, 2020  
Revised - Amendment(s) - March 15, 2020

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**ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES**

**TITLE OF BILL: Health Services Cost Review  
Commission – Statute -- Update**

**BILL NUMBER: SB 42**

**PREPARED BY: Webster Ye**

**PART A. ECONOMIC IMPACT RATING**

This agency estimates that the proposed bill:

**WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL  
BUSINESS**

**OR**

**WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL  
BUSINESSES**

**PART B. ECONOMIC IMPACT ANALYSIS**

None