

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 510

(Delegate Pendergrass)

Health and Government Operations

Finance

Health Care Facilities - Health Services Cost Review Commission - User Fee Assessment

This bill alters the maximum amount of user fees the Health Services Cost Review Commission (HSCRC) may assess on hospitals and related institutions from \$16.0 million to the greater of (1) 0.1% of the immediately preceding fiscal year’s budgeted, regulated, gross hospital revenue or (2) the largest cap amount determined during the immediately preceding five fiscal years. This provision applies to fiscal 2023 through 2025. Beginning in fiscal 2026, the total fees assessed by HSCRC may not exceed the average of the amounts determined for fiscal 2023, 2024, and 2025. **The bill generally takes effect July 1, 2022, and terminates June 30, 2025. Provisions capping the assessment beginning in fiscal 2026 take effect June 30, 2025.**

Fiscal Summary

State Effect: HSCRC special fund revenues increase by as much as \$3.69 million in FY 2023 to reflect the higher user fee assessment; HSCRC special fund expenditures likely increase accordingly. Medicaid expenditures increase by \$737,500 (60% federal funds, 40% general funds) in FY 2023 due to increased hospital rates associated with the higher user fee assessment. Federal fund revenues increase correspondingly.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$3.69	\$4.29	\$4.91	\$4.30	\$4.30
FF Revenue	\$0.44	\$0.51	\$0.59	\$0.52	\$0.52
GF Expenditure	\$0.30	\$0.34	\$0.39	\$0.34	\$0.34
SF Expenditure	\$3.69	\$4.29	\$4.91	\$4.30	\$4.30
FF Expenditure	\$0.44	\$0.51	\$0.59	\$0.52	\$0.52
Net Effect	(\$0.30)	(\$0.34)	(\$0.39)	(\$0.34)	(\$0.34)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: HSCRC is an independent commission within the Maryland Department of Health (MDH) established to contain hospital costs, maintain fairness in hospital payment, provide access to hospital care, and disclose information on the operation of hospitals in the State. HSCRC is responsible for implementing the Total Cost of Care Model (TCOC), the successor to the Maryland All-Payer Model Contract, under which it regulates hospital population-based revenues (commonly referred to as global budgets).

HSCRC's special fund consists of user fees assessed on hospitals and related institutions whose rates have been approved by the commission. User fees must be used exclusively to cover the actual documented direct costs of fulfilling the statutory and regulatory duties of HSCRC, including administrative costs incurred by MDH on behalf of the commission.

HSCRC must assess user fees for each facility equal to the sum of (1) the amount equal to one-half of the total user fees times the ratio of admissions of the facility to total admissions of all facilities and (2) the amount equal to one-half of the total user fees times the ratio of operating revenue of each facility to total gross operating revenues of all facilities. HSCRC must assess each facility by June 30 each year.

Chapter 582 of 2011 increased HSCRC's user fee cap from \$5.5 million to \$7.0 million, Chapter 263 of 2014 increased the cap from \$7.0 million to \$12.0 million, and the Budget Reconciliation and Financing Act of 2017 increased the cap from \$12.0 million to \$16.0 million.

Chapters 436 and 437 of 2020 require HSCRC to establish a Community Benefit Reporting Workgroup comprised of individuals and stakeholder groups that have knowledge of, and are impacted by, hospital community benefit spending. HSCRC must adopt regulations that implement the recommendations of the workgroup and establish a method through which State and local governing bodies are made aware of the meetings of the workgroup.

Chapter 505 of 2020 modified the timing and required contents of HSCRC's annual report to include detailed information on the TCOC contract. HSCRC is authorized to assist in the implementation of federally approved model programs consistent with the contract, upon request of the Secretary of Health. The rates that HSCRC permits a hospital to charge for services must be consistent with the contract.

Chapters 769 and 770 of 2021 altered requirements relating to hospital debt collection policies and payment plans and prohibits a hospital from taking specified actions when collecting debt. Hospitals are required to submit specific information in an annual report to HSCRC. HSCRC must develop and report on guidelines for an income-based payment plan and study the impact on uncompensated care of providing specified refunds or requiring hospitals to forgive specified judgments or strike specified adverse information.

State Fiscal Effect:

Impact on Special Fund Revenues and Expenditures

As noted above, HSCRC's operating budget is funded through a user fee assessment currently capped at \$16.0 million annually. In recent years, additional requirements on HSCRC have increased expenditures beyond this cap. In fiscal 2021, actual HSCRC expenditures were \$18.9 million; the fiscal 2022 appropriation for HSCRC was \$19.1 million. Additional expenditures exceeding user fee revenues have been funded with available special fund balance, which has decreased significantly. As of June 30, 2021, the balance of HSCRC's special fund was \$3.9 million. The Governor's proposed fiscal 2023 budget includes \$20.3 million in special funds for HSCRC, which exceeds the current user fee cap by approximately \$4.29 million, or 26.8%.

Under the bill, HSCRC special fund revenues increase by as much as \$3.7 million in fiscal 2023 to reflect a proposed assessment of up to \$19.7 million (0.1% of budgeted, regulated, gross hospital revenues for fiscal 2022), compared with \$16.0 million under current law. Fiscal 2024 and 2025 revenues reflect the assessment being based on 0.1% of the immediately preceding fiscal year's budgeted, regulated, gross hospital revenue, which is projected to be \$20.3 million in fiscal 2024, and \$20.9 million in fiscal 2025. Thus, HSCRC special fund revenues increase by as much as \$4.3 million in fiscal 2024, and \$4.9 million in fiscal 2025. HSCRC special fund expenditures increase accordingly. However, HSCRC advises that it is not required to charge the full amount of the user fee cap in any year.

Beginning in fiscal 2026, the total fees assessed by HSCRC may not exceed the average of the amounts determined for fiscal 2023, 2024, and 2025, which is projected to be approximately \$20.3 million. Thus, special fund revenues increase by \$4.3 million in fiscal 2026 and 2027. HSCRC special fund expenditures increase accordingly.

Impact on Medicaid

Medicaid expenditures increase by as much as \$737,512 in fiscal 2023 (60% federal funds, 40% general funds), \$858,302 in fiscal 2024, and \$982,798 in fiscal 2025, due to increased hospital rates associated with the higher user fee assessment. Beginning in fiscal 2026,

Medicaid expenditures increase by as much as \$858,537 annually. Medicaid expenditures account for 20% of total hospital revenues annually, and increased Medicaid expenditures are therefore estimated to equal 20% of the special fund revenues in excess of the current user fee cap of \$16.0 million. Federal fund revenues increase accordingly to reflect federal matching funds.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 917 (Senator Augustine) - Finance.

Information Source(s): Department of Budget and Management; Maryland Department of Health; Department of Legislative Services

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