State of Maryland
Department of Health

Health Services Cost Review Commission
4160 Patterson Avenue, Baltimore, Maryland 21215
Phone: 410-764-2605 · Fax: 410-358-6217
Toll Free: 1-888-287-3229
hscrc.maryland.gov

January 15, 2020

The Honorable Delores G. Kelley, Chair
Senate Finance Committee
3 East Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401

Dear Chair Kelley:

The Health Services Cost Review Commission ("Commission," or "HSCRC") is submitting this **letter of support with amendment** regarding **Senate Bill 42 - Health Services Cost Review Commission - Duties and Reports - Revisions**. Senate Bill 42 makes changes to conform statutory language with requirements of the new Total Cost of Care Model contract with the federal government.

The Maryland Total Cost of Care (TCOC) Model began on January 1, 2019 and builds upon the investments that Maryland hospitals have made since 2014 under the All-Payer Model. The TCOC Model is a new agreement with the federal Centers for Medicare and Medicaid Services that lasts for ten years through calendar year 2028, so long as the State meets the terms of the contract. The effort to secure the ten-year contract was bipartisan and supported by the Administration, State legislative leaders, the Maryland Congressional Delegation, and all partners in the healthcare delivery system, including hospitals, physicians, post-acute providers, payers, and consumers.

Statutory language regarding the HSCRC's duties, including its reports to the Maryland General Assembly, must be updated to reflect the terms of this current all-payer model demonstration, and so that the General Assembly has the relevant information to monitor TCOC Model progress.

Under the TCOC Model, Maryland is progressively transforming the delivery of care across the healthcare system, with the objective of improving the quality of care delivered, individual outcomes, and population health. At the same time, the State's growth in Medicare spending must be maintained below the nation's growth, and the State must achieve aggressive savings targets of $300 million annually in Medicare Part A and Part B costs within five years.

The TCOC Model gives the State flexibility to tailor healthcare reform initiatives to Maryland's needs and encourages provider and payer-led development of care transformation programs to support healthcare innovation. It provides additional tools and resources for providers through the new Maryland Primary Care Program, expanded Care Redesign Program, and upcoming programs for non-hospital providers. SB 42 brings the relevant provisions of the HSCRC and Insurance Law statutes up to date with the implementation of the new TCOC Model.

Similarly, the amendment listed below clarifies the HSCRC's mandate of setting rates that promote the greatest efficiency and effectiveness in hospitals as extending to population health activities consistent with the Total Cost of Care Agreement. The suggested language is parallel to the wording included in our proposed changes to other parts of Statute.

We appreciate your Committee's work to support and advance the TCOC Model's goals to improve the outcomes of patients with complex and chronic conditions and help all Marylanders achieve better health status overall. We respectfully ask for a favorable report on SB 42 with the below amendment. If you have any questions, please contact me at tequila.terry1@maryland.gov.

Sincerely,

Tequila Terry
Deputy Director

AMENDMENTS TO SENATE BILL 42 (MDH Departmental Bill)
(First Reading File Bill)

AMENDMENT NO. 1

On page 6, after line 29, insert:

§ 19-220 (d):

(d) **CONSISTENT WITH THE ALL-PAYER MODEL CONTRACT APPROVED BY THE FEDERAL CENTER**

FOR MEDICARE AND MEDICAID INNOVATION, the Commission shall:

(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:

(i) Will permit the facility to provide effective and efficient service that is in the public interest; and

(ii) Based on the fair value of the property and investments that are related directly to the facility, include enough allowance for and provide a fair return to the owner of the facility.