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Executive Nominations Committee

Joint Committee on Gaming Oversight

Joint Committee on Management
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Spending Affordability Committee

THE SENATE OF MARYLAND ANNAPOLIS, MARYLAND 21401

February 28, 2025

Senate Bill 776 **Workgroup to Study the Rise in Adverse Decisions in the State Health Care System** **Establishment**

Good afternoon, Vice Chair Hayes and Members of the Finance Committee:

SB 776 establishes the Workgroup to Study the Rise in Adverse Decisions in the State Health Care System, bringing together members of the Maryland General Assembly, state agencies, health care providers, and health payers. This Workgroup will review and recommend ways to standardize adverse decision reporting requirements across all health payers, while also developing strategies to reduce the number of inappropriate denials and proposing policy solutions to address this growing issue.

An adverse decision occurs when a health payer—whether a private insurer, Medicare, Medicaid, or a Managed Care Organization (MCO)—denies a patient's claim for necessary health services or prescription drugs. In recent years, the frequency of erroneous adverse decisions has surged, raising serious concerns. In Maryland, insurers issue adverse decisions more than 50 percent of the time for certain health services, such as pharmaceutical claims. The Fiscal Year 2024 Office of the Attorney General Health Education and Advocacy Unit Appeals and Grievances report reveals that while only 10 percent of adverse decisions in the last decade have been challenged, 54 percent of those decisions were ultimately overturned—suggesting that many denials were issued incorrectly in the first place.

The consequences of this rising trend are severe. Patients frequently lose access to critical health services and prescription medications when their prior authorization requests are denied, leading to disruptions in care and worsening health outcomes. Additionally, adverse decisions increase out-of-pocket costs and medical debt, forcing patients to either forgo treatment or absorb unexpected financial burdens when insurers deem claims "not medically necessary." Health care providers also experience significant challenges, as they must divert clinical and administrative resources to contest inappropriate denials, creating additional financial strain and operational uncertainty.

Standardizing data collection on adverse decisions is essential for addressing these issues. Health insurers process more than five billion payment claims annually, and approximately 850 million—about one in six—are denied. However, less than 1 percent of patients appeal these denials, meaning the true extent of the problem often goes unaddressed. The lack of comprehensive data makes it difficult for policymakers to identify trends, assess the scope of the issue, and implement meaningful reforms.

By establishing uniform reporting requirements, SB 776 will provide data necessary to track trends, identify systemic issues, and implement targeted reforms to reduce inappropriate denials. Without standardized and transparent reporting, insurers can continue to issue denials unchecked, leaving patients and providers to bear the consequences. Fixing gaps in current reporting requirements will ensure that all relevant data is captured, offering a comprehensive and accurate picture of Maryland's health care landscape. This data-driven approach will not only help reduce adverse decisions but also lay the foundation for significant policy reforms that strengthen patient protection, increase accountability for health payers, and improve access to medically necessary care. Ensuring that Marylanders receive the health care they need should not be an uphill battle.

Senate Bill 776 is a crucial step toward a more transparent, fair, and patient-centered health care system. For these reasons, I respectfully request a favorable report on SB 776.