January 15, 2025

The Honorable Joseline A. Peña-Melnyk
Chair, House Health and Government Operations Committee
Room 241, House Office Building
Annapolis, MD 21401

RE: House Bill 54 – Health Services Cost Review Commission – User Fee Assessment – Repeal of Sunset – Letter of Support

Dear Chair Peña-Melnyk:

The Health Services Cost Review Commission (HSCRC or Commission) is pleased to provide this letter of support for House Bill (HB) 54, titled **"Health Services Cost Review Commission – User Fee Assessment – Repeal of Sunset."** We respectfully urge the Committee to favorably report this critical legislation, which will remove the sunset on the current formula used to determine the maximum amount of user fees that HSCRC can assess to hospitals. These hospital user fee assessments are the sole funding source for HSCRC's operating costs, including staff, contractors, and overhead. Without legislative action, **the current formula will lapse on June 30, 2025**.

HSCRC is an independent state agency responsible for regulating the quality and cost of hospital services, ensuring that all Marylanders have access to high-value healthcare. Our work promotes transparency, equity, and innovation while advancing efforts to enhance care quality, improve health outcomes, and reduce the total cost of care for Maryland residents.

HB 54 Supports the Continuation of Maryland's Healthcare Transformation Efforts

By repealing the sunset provision, HB 54 maintains the resources that HSCRC needs to sustain Maryland's nationally recognized healthcare transformation initiatives.

Over the past decade, HSCRC has expanded its scope beyond hospital regulation to include new initiatives, reporting requirements, and legislative projects requested by the General Assembly. Recent examples include:

- **Total Cost of Care Model and AHEAD Model:** HSCRC has implemented key aspects of the Total Cost of Care Model and negotiated the Advancing All-Payer Health Equity Approaches and Development (AHEAD) model, set to begin in 2026. These models charge Maryland with improving population health, enhancing the quality of care provided to patients, and reducing health care spending across all care settings. To meet these responsibilities, HSCRC has expanded its focus beyond the hospital setting to include voluntary value-based physician programs and population health activities.

- **Increased Reporting and Program Responsibilities:** At the General Assembly's request the HSCRC has undertaken several initiatives, such as addressing the state's emergency department wait times crisis through the **Emergency Department Wait Times Commission** and leading a workgroup to improve hospital **facility-fee notices.** Additionally, HSCRC is implementing legislation to improve consumer access to hospital financial assistance, address medical debt, including conducting enhanced auditing activities. HSCRC also fulfills legislative reporting requirements, such as the recent report on trauma center funding.
- **Data Analysis:** HSCRC provides critical data to other state agencies and commissions, including the Maryland Commission on Health Equity, to inform policy decisions. To meet the needs of hospitals and stakeholders, HSCRC has expanded its analytical capacity.

Additionally, HSCRC partially funds the Maryland Primary Care Program management office in the Maryland Department of Health (MDH) and pays a 30% indirect cost fee to MDH, based on HSCRC salaries, irrespective of the level of support provided by MDH.

Financial Stewardship and Long-Term Sustainability

HB 54 ensures that HSCRC's user fee assessments remain aligned with the revenue growth rate of the industry it regulates. This structure constrains long-term spending while enabling HSCRC to continue to do our work to transform Maryland's healthcare system. HSCRC only collects the funds necessary for operational expenses. For example, in fiscal years 2024 and 2025, HSCRC assessed user fees below the maximum cap.

It is important to note that HSCRC's budget remains subject to annual appropriation and oversight by the General Assembly. **Failure to pass HB 54 would result in a flat cap on potential revenue, which is less than HSCRC's budgeted FY 2025 expenditures and projected FY 2026 expenditures. Such a shortfall could require significant cuts to essential programs and initiatives.**

Conclusion

The Commission strongly urges a favorable report on HB 54 to ensure the continued success of Maryland's healthcare system transformation. Should you have any questions or require additional information, please do not hesitate to contact **Jon Kromm, Executive Director**, at jon.kromm@maryland.gov or **Deborah Rivkin, Director of Government Affairs**, at deborah.rivkin@maryland.gov.

Sincerely,

Jon Kromm

Executive Director