

HB 1554 UNFAVORABLE

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Sales and Use Tax – Taxable Business Services - Alterations Act

House of Delegates Ways and Means Committee

Wednesday, March 12, 2025 at 1:30pm

Dear Chair Atterbeary, Vice Chair Wilkins, and Members of the Ways and Means Committee,

My name is Norman Snowberger and I am CFO of Maryland Health Enterprises, Inc. dba Lorien Health Services (“Lorien”). I am testifying in OPPOSITION to HB 1554. **However, if HB 1554 is to be reported on favorably, subsection 11-101 (m) (14) should be amended to exempt transactions between related parties with identical ownership.** The proposed amendment could be accomplished by simply adding the following to the end of line 23 on p. 4 of the Bill: “...which do not share common ownership: ”

Lorien is a management company established by members of the Mangione Family to provide efficient and well – coordinated management services to the highly regulated Lorien-branded 8 Nursing Homes and 6 Assisted Living Facilities. Both Lorien and the facilities it manages are “related parties” owned entirely by the ten (10) adult children of the company’s founder, the late Nicholas B. Mangione.

Lorien’s Nursing Homes and Assisted Living communities are located in Baltimore County, Carroll County, Harford County and Howard County. Our businesses are all individually incorporated, tax – paying for profit companies which provide substantial employment opportunities and have important economic impact benefitting all the residents of these counties.

It should also be noted that Lorien facilities provide critically needed quality Long Term Care to an elderly and very vulnerable Medicaid patient population, as well as rehabilitation services to those on Medicare, and private payers. In fact, Medicaid services amounted to 51% of combined revenues for all Lorien Nursing facilities for FY 2024.

Many of the management services provided by Lorien to its related party facilities would be covered under Section 11-101(m) (14) since they are legally separate entities even though they

share common ownership. Among these services are administration, billing, accounting, and financial management and more. It would be bad public policy to levy a tax on a business structure created to enhance quality of care by promoting efficiency and administrative uniformity across its multiple locations. **For this reason, if HB 1554 is to be enacted, it should be amended to exempt transactions between related parties with common ownership as stated above.**

However, I firmly believe that **HB 1554 should not receive a favorable report as it applies to the Nursing Home and senior care sector.** As you know, Maryland's Nursing Homes have been hard hit by the COVID Pandemic, an ongoing critical Nursing shortage, and crippling inflation. The staffing shortage in particular has forced Nursing Homes to rely on very expensive Staffing Agencies which would be taxed. House Bill 1554 paints with a broad brush and would impose a burdensome 2.5% tax on a wide variety of other businesses too that Lorien must deal with in its day-to-day operations. These include food and supply vendors, accountants, legal services, medical equipment suppliers, pharmacy providers, and more.

I understand the State is grappling with substantial budgetary shortfalls, but we simply cannot balance the budget on the backs of our most vulnerable and needy residents - the very patients we serve. We are already struggling with increased minimum wages, expensive staffing agencies, family leave act expenses and inflationary pressures. We must maintain our focus on preserving resources which enable us to provide quality care for those in need.

Lorien and I respectfully urge an unfavorable report on HB 1554 or that the Bill be amended to exempt related party transactions as described above.