

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 344 (Chairman, Environmental Matters Committee)
(Departmental - Health and Mental Hygiene)

Environmental Matters

Health Services Cost Review Commission - Hospital Rates - Outpatient Services

This departmental bill requires the Health Services Cost Review Commission (HSCRC) to allow hospitals to charge less than commission-approved rates for outpatient surgical services and authorizes HSCRC to define hospital outpatient services for which a hospital may charge less than commission-approved rates. HSCRC must establish a maximum rate for these services. Each hospital that charges less than commission-approved rates for an outpatient service is required to make specified financial data available to HSCRC. HSCRC is to ensure annually the accuracy of the hospital financial data through audits. If HSCRC determines that the data does not reflect accurate costs and revenues for providing these services, it is authorized to impose additional requirements, including the formation of a separate corporate structure for the services.

The bill takes effect July 1, 1998.

Fiscal Summary

State Effect: The bill's requirements could be handled with existing budgeted resources. Potential long-term decrease in State health expenditures under Medicaid and the State employee health benefit plan, to the extent that payors realize and pass on any cost savings.

Local Effect: None.

Small Business Effect: The Department of Health and Mental Hygiene has determined that this bill has minimal or no impact on small businesses (attached). Legislative Services disagrees with this assessment. (The attached assessment does not reflect amendments to the bill.)

Fiscal Analysis

State Expenditures: HSCRC sets hospital rates which must be charged uniformly to all payors. Under current law, HSCRC regulates all outpatient services provided at Maryland hospitals. To avoid rate regulation, hospitals have been moving outpatient services away from hospitals. The bill provides hospitals with pricing flexibility and removes the incentive for hospitals to make unnecessary capital expenditures and duplicate existing capacity. HSCRC has indicated its intent that the maximum rates it will set under the bill will be the same as the current hospital outpatient rates. Therefore, some payors will realize savings as a result of the bill's provisions, but none would pay more. This could result in a long-term indeterminate decrease in State expenditures under Medicaid and the State employee health benefit plan, to the extent that payors realize and pass on any cost savings.

Small Business Effect: Ambulatory surgical centers could sustain a decline in patients and revenues, since the bill's provisions allow hospital outpatient rates to be more competitive. There are approximately 180 ambulatory surgical centers in Maryland. Most ambulatory surgical centers are single-specialty, physician-owned, and are considered small businesses.

Information Source(s): Department of Health and Mental Hygiene (Health Services Cost Review Commission), Department of Legislative Services

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