

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 698 (Senator Bromwell)

Finance

Health Services Cost Review Commission

This bill alters the composition of the Health Services Cost Review Commission (HSCRC) so that one member represents the payor community. It prohibits HSCRC from considering rates or revenues in the aggregate only; HSCRC must also consider unit rates and rate schedules, and total costs of all hospital services including the costs of acquiring, operating, or terminating an entity in which a hospital has a direct financial interest. It requires HSCRC to: (1) certify that the rates of each health care facility are the commission-approved rates and are the same for all payors; (2) assure purchasers of health care facility services that aggregate rates and unit rates are set equitably among all purchasers; and (3) adopt a uniform accounting and financial reporting system that identifies and prohibits any cost shifting. HSCRC is prohibited from allowing a modification in the reporting system if the modification would allow cost shifting. It requires rather than authorizes HSCRC to approve or disapprove the reasonableness of any rate or rate schedule of a facility, and requires a facility to charge for services only at a rate set according to an approved rate schedule.

Fiscal Summary

State Effect: Significant increase in special fund expenditures and offsetting special fund revenues in FY 1999; future year expenditures and revenues would increase with inflation.

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Effect: The bill requires HSCRC to establish and monitor rates for every unit of service a hospital provides. HSCRC currently establishes about 50 departmental unit rates for various departments within a hospital such as the operating room or radiology unit. Hospitals have flexibility to price individual services within each department as long as the services are on average consistent with commission-approved departmental unit rates and are charged equally to all payors. Each hospital sets rates for about 10,000 services.

Special fund expenditures could increase by an indeterminate but significant amount for HSCRC to set and monitor unit rates for all hospitals. This would involve setting rates for an estimated 600,000 individual services on an annual basis, assuming 60 hospitals and 10,000 services for each hospital. Special fund revenues would increase accordingly, since HSCRC's operating expenditures are financed through health care facility user fees.

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

Fiscal Note History: First Reader - March 16, 1998
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Analysis by: Sue Friedlander
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710