

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1104

(Chair, Health and Government Operations
 Committee)(By Request - Departmental - Health)

Health and Government Operations and
 Appropriations

Finance and Budget and Taxation

**Maryland Department of Health - AHEAD Model Implementation - Electronic
 Health Care Transactions and Population Health Improvement Fund**

This departmental bill establishes the Population Health Improvement Fund to support statewide population health targets under the Advancing All-Payer Health Equity Approaches and Development (AHEAD) Model and any successor models. Each year of the Total Cost of Care (TCOC), AHEAD, or any successor model, the Health Services Cost Review Commission (HSCRC) may assess a uniform, broad-based, and reasonable amount in hospital rates to be credited to the fund. HSCRC must include the full amount of the assessment in hospital rates. Electronic health care transaction information may be used to support the State’s participation in the AHEAD Model and any successor models. By July 1, 2026, and annually thereafter, the Maryland Department of Health (MDH) must submit a specified report to the General Assembly. **The bill takes effect July 1, 2025, and terminates December 31, 2030.**

Fiscal Summary

State Effect: HSCRC special fund revenues increase by \$25.0 million in FY 2026 from the assessment; special fund expenditures increase accordingly. The FY 2026 budget as introduced includes \$5.0 million (50% general funds, 50% federal funds) for Medicaid due to increased hospital rates associated with the assessment; federal fund revenues increase accordingly. General fund revenues increase minimally from interest earnings of the new special fund through FY 2028 (not shown).

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$25.0	-	-	-	-
FF Revenue	\$2.5	-	-	-	-
SF Expenditure	\$25.0	-	-	-	-
GF/FF Exp.	\$5.0	-	-	-	-
Net Effect	(\$2.5)	(\$-)	(\$-)	(\$-)	(\$-)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: MDH has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: Regulations adopted by the Maryland Health Care Commission (MHCC) may not restrict the State's use of financial information, including billed or paid amounts available in electronic claims transactions, for public health purposes related to the participation of the State in the AHEAD Model and any successor models.

Population Health Improvement Fund

The fund is a special, nonlapsing fund administered by MDH and HSCRC that consists of (1) revenues from the uniform, broad-based assessment by HSCRC; (2) money appropriated in the State budget to the fund; (3) interest earnings; and (4) any other money from any other source accepted for the benefit of the fund. Interest accrues to the fund beginning in fiscal 2029, as for most special funds; however, from fiscal 2026 through 2028, interest is instead credited to the general fund.

The fund may be used only for expenses associated with statewide population health improvement initiatives in alignment with the Statewide Health Equity Plan (SHEP) required under the AHEAD Model State agreement as directed by the Secretary of Health. Activities paid for by the fund must support the goal of meeting the statewide population health targets outlined in the AHEAD Model State agreement and have at least one of the following functions: (1) reducing rates of common preventable health conditions; (2) addressing health-related social needs; or (3) reducing or eliminating health disparities.

Expenditures from the fund may be made only in accordance with the State budget. Money expended from the fund is supplemental to funding that would otherwise be appropriated for Medicaid. The fund is subject to audit by the Office of Legislative Audits.

Required Report

By July 1, 2026, and annually thereafter, MDH must submit a report to the General Assembly. The report must:

- reflect the required elements of the annual progress report as outlined in the State agreement and include (1) measures of effectiveness for funded programs and

- targeted populations; (2) any impact on health outcomes and health disparities; and (3) relevant components from hospital required reporting to HSCRC on population health improvement efforts; and
- include an accounting of all sources of funding accepted for the benefit of the fund and the amount of funding from each source.

Current Law: HSCRC is an independent commission within MDH established to contain hospital costs, maintain fairness in hospital payment, provide access to hospital care, and disclose information on the operation of hospitals in the State. HSCRC is responsible for implementing the TCOC Model, the successor to the Maryland All-Payer Model Contract, under which it regulates hospital population-based revenues (commonly referred to as global budgets).

Advancing All-Payer Health Equity Approaches and Development Model

The federal AHEAD Model is an option that would allow Maryland to continue statewide efforts to improve health care quality and control costs under the TCOC Model. AHEAD seeks to drive state and regional health care transformation and multi-payer alignment, with the goal of improving the total health of a state population and lowering costs across all payers.

On November 1, 2024, Governor Wes Moore and the federal Centers for Medicare and Medicaid Services (CMS) entered into an agreement for the State to participate in the AHEAD Model, following which, MDH and HSCRC successfully applied to participate. The new model will enable Maryland to build on its unique all-payer hospital rate setting system, expanding its focus on primary care, population health, and health equity. Implementation of the AHEAD Model is set to begin January 1, 2026. The [Maryland Commission on Health Equity](#) (MCHE) serves as the AHEAD Model governance body for the State, while HSCRC will coordinate implementation in conjunction with CMS.

The [agreement](#) between CMS and the State requires that the State submit an annual progress report to provide updates on the State's performance and activities from the preceding performance (or calendar) year. The first annual progress report must be submitted to CMS by March 31, 2026, and include updates on the State's performance and activities that occurred during the pre-implementation period.

Health Information Exchange Data

MHCC is an independent commission that functions within MDH and must coordinate the exercise of its functions with MDH and HSCRC to ensure integrated, effective health care policy for the State. MHCC must adopt specified regulations for implementing a statewide health information exchange (HIE). MHCC designated the Chesapeake Regional

Information System for Our Patients (CRISP) as the State-designated HIE in 2009, and the infrastructure became operational in 2010. An HIE allows clinical information to move electronically among disparate health information systems. CRISP offers tools aimed at improving the facilitation of care for the region's health care providers.

If approved by MHCC, electronic clinical information submitted by a nursing home or an electronic health network to the State-designated HIE may be combined with other data maintained by the HIE to facilitate (1) a State health improvement program; (2) mitigation of a public health emergency; and (3) improvement of patient safety.

MHCC must adopt regulations that specify the scope of clinical information to be exchanged and provide for a uniform, gradual implementation of the exchange of clinic information. Regulations must (1) limit redisclosure of financial information; (2) restrict data of patients who have opted out of records sharing through the State-designated HIE or a health information exchange authorized by MHCC; (3) restrict data from health care providers that possess sensitive health care information; and (4) restrict data of patients who have obtained legally protected health care.

Background: In December 2024, HSCRC commissioners approved a recommendation to allocate approximately \$25.0 million on a one-time basis through a broad-based, uniform hospital assessment to the Population Health Trust. HSCRC advises that these funds will be assessed in fiscal 2026 through hospital rates, contingent on establishment of the Population Health Improvement Fund under the bill. HSCRC notes that expenditures from the fund will align with population health priorities established through the SHEP, which is currently being developed by MCHE and is due to the federal Center for Medicare and Medicaid Innovation by July 1, 2025.

State Fiscal Effect: The bill authorizes HSCRC, each year of the TCOC, AHEAD, or any successor model, to assess a uniform, broad-based, and reasonable amount in hospital rates to be credited to the Population Health Improvement Fund, which may only be used for expenses associated with statewide population health improvement initiatives. HSCRC advises that \$25.0 million will be assessed in hospital rates in fiscal 2026 on a one-time only basis. Therefore, HSCRC special fund revenues increase by \$25.0 million in fiscal 2026 to reflect assessment revenue credited to the Population Health Improvement Fund. Special fund expenditures increase accordingly, based on priorities defined in the SHEP.

However, as the bill authorizes HSCRC to make an assessment *each year of the TCOC, AHEAD, or any successor model*, special fund revenues (and expenditures) may increase by an indeterminate amount in fiscal 2027 through 2031 (reflecting the bill's December 31, 2030 termination date) to the extent the assessment is imposed.

Impact on Medicaid

The fiscal 2026 budget as introduced includes a total of \$5.0 million (\$2.5 million in general funds, \$2.5 million in federal funds) for Medicaid due to increased hospital rates associated with the assessment; however, the funds are not contingent on the enactment of the bill. Medicaid expenditures account for 20% of total hospital revenues annually, and increased Medicaid expenditures are therefore estimated to equal 20% of the special fund revenues of \$25.0 million. Federal fund revenues increase accordingly to reflect federal matching funds. Depending on the specific investments from the fund in population health improvements, there will likely be indeterminate offsets for Medicaid given that the program covers one in five Marylanders.

To the extent that HSCRC imposes the assessment in future years, Medicaid expenditures (and associated federal fund revenues) increase accordingly.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Department of Health; Department of Legislative Services - Office of Legislative Audits

Fiscal Note History: First Reader - February 17, 2025
km/jc Revised - Budget Information - March 12, 2025
Third Reader - March 21, 2025
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Department of Health - AHEAD Model Implementation -
Electronic Health Care Transactions and Population Health Improvement
Fund

BILL NUMBER: HB 1104

PREPARED BY: Maryland Department of Health

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposal has no economic impact.