

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 599
Health

(Delegates Hill and Smith)

Health - Licensure of Hospitals - Ownership Requirements

This bill requires a hospital, in order to be licensed on or after October 1, 2026, to (1) qualify as a nonprofit organization under federal law and (2) be registered as a nonprofit organization with the State. A hospital licensed on or after October 1, 2026, must maintain status as a nonprofit organization as a condition of licensure. Ownership of a licensed hospital may be transferred only to a nonprofit organization.

Fiscal Summary

State Effect: The bill does not materially affect governmental operations or finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law:

Hospital Licensure

A person desiring to open a hospital, to continue the operation of an existing hospital, or to change the classification of an existing hospital must obtain a certificate of need (CON) or an exemption from the Maryland Health Care Commission. After obtaining a CON or an exemption, an application must be filed with the Office of Health Care Quality in the Maryland Department of Health (MDH), which licenses and oversees qualified hospitals.

State Oversight of Nonprofit Organizations

The Secretary of State (SOS) registers and oversees charitable organizations in the State and maintains an [online database](#) of registered entities.

A charitable organization is a person that:

- is or holds itself out to be a benevolent, educational, eleemosynary, humane, patriotic, philanthropic, or religious organization; and
- either (1) solicits or receives charitable contributions from the public; or (2) is an ambulance, firefighting, fraternal, rescue, or police or other law enforcement organization when it solicits charitable contributions from the public.

A charitable organization must register and receive a registration letter from SOS before it (1) solicits charitable contributions in the State; (2) has charitable contributions solicited on its behalf in the State; or (3) solicits charitable contributions outside the State if the organization is in the State. A registered charitable organization must submit an annual report to SOS, as specified.

Federal Oversight of Nonprofit Organizations

To qualify as a nonprofit under federal law, a hospital must meet general requirements for tax-exempt status under § 501(c)(3) of the Internal Revenue Code, as well as completing a specified community health needs assessment, adopting specified financial assistance and emergency medical care policies, and meeting other requirements regarding limitations on charges and billing and collections. [Charitable hospitals](#) must meet both an organizational test and an operational test to qualify for exemption.

The Internal Revenue Service uses the community benefit standard test to determine if a hospital is organized and operated for the charitable purpose of promoting health. To qualify as a nonprofit, a hospital must (1) demonstrate that it provides benefits to a class of people that is broad enough to benefit the community, and (2) operate to serve a public rather than a private interest. The following factors can demonstrate a community benefit: an emergency room open to all (regardless of the ability to pay), maintaining a board of directors drawn from the community, maintaining an open medical staff policy, and providing hospital care through public programs like Medicaid and Medicare.

Community Health Needs Assessment

Under Maryland law, “community health needs assessment” means the process required by the federal Patient Protection and Affordable Care Act by which unmet community health care needs and priorities are identified by a nonprofit hospital in accordance with

federal law. Each nonprofit hospital must solicit and consider input received from individuals who represent the broad interests of that community, including individuals with special knowledge of or expertise in public and behavioral health.

In Maryland, each nonprofit hospital must conduct an annual community health needs assessment and submit an annual community benefits report to the Health Services Cost Review Commission (HSCRC) detailing the community benefits provided by the hospital during the preceding year. The community benefit report must include:

- the mission statement of the hospital;
- a list of the initiatives that were undertaken by the hospital to identify community health needs within the hospital's community;
- the cost to the hospital of each community benefit activity;
- a description of how each of the listed activities addresses the community health needs of the hospital's community;
- a description of efforts taken to evaluate the effectiveness of each community benefit activity;
- a description of gaps in the availability of providers to serve the community;
- a description of the hospital's efforts to track and reduce health disparities in the community that the hospital serves;
- a list of the unmet community health needs identified in the most recent CHNA; and a list of tax exemptions the hospital claimed during the immediately preceding taxable year.

Health Services Cost Review Commission

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 Total Cost of Care Model, the successor to the Maryland All-Payer Model Contract, under which it regulates hospital population-based revenues (commonly referred to as global budgets).

HSCRC compiles the required community benefits reports and issues an annual *Maryland Hospital Community Benefit Report*. The most recent version of the report (fiscal 2023) can be found [here](#). According to the report, all 49 nonprofit Maryland hospitals submitted their required fiscal 2023 community benefit reports.

Additional Information

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

Designated Cross File: None.

Information Source(s): Secretary of State; Maryland Department of Health; Department of Legislative Services

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caw/jc

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