

House Bill 1058

Public Ethics - Disclosures, Training, and Use of Confidential Information (Integrity in High Office Act)

February 23, 2021

Before the House Environment and Transportation Committee

Position: Oppose

Mr. Chairman, Mr. Vice Chairman and Members of the Committee:

Thank you for the opportunity to provide testimony on this bill. The University of Maryland Medical System (“UMMS”) is duty bound to oppose this bill insofar as it refers to, and incorporates, UMMS within its scope. The bill includes an erroneous definition or descriptor of the University of Maryland Medical System.

In short, the bill would require Maryland officials to disclose business relationships with “quasi-governmental” entities and defines a “quasi-governmental entity” as “an entity that is created by state statute, that performs a public function, and that is supported in whole or in part by the State but is managed privately.” The bill then specifically states that a “quasi-governmental entity includes the University of Maryland Medical System.” No other entity is specifically named.

The assertion that UMMS is a “quasi-governmental entity” is not correct. Indeed, perhaps this error is most clearly demonstrated by the General Assembly’s legislative directive in 2019 that the UMMS Board of Directors shall ensure that UMMS shall remain an independent, private not-for-profit corporation:

“The Board of Directors shall ensure that the medical system continues to be a private, nonprofit, nonstock corporation that is independent from any State agency.” (emphasis added).

MD. Annotated Code, Education Article, Section, 13-303(l).

UMMS is indeed a separate not for profit corporation that is independently managed, quite differently from an organization that is state supported and simply privately managed. Although created by statute, UMMS is an independent organization, subject to federal tax law, independently governed, and privately managed. The term “quasi-governmental entity” does not apply to UMMS and it should not be a part of this bill.

By way of background, the University of Maryland Medical System was privatized and founded as a private not-for-profit corporation in 1984 to provide health care services to the citizens of Maryland, and it continues as such today. As a result of that privatization, UMMS owns all of its assets. The system operates an academic medical center in downtown Baltimore, eleven community-based hospitals in diverse geographic communities across the state and shares ownership with Johns Hopkins of the Mount Washington Pediatric Hospital.

University Hospital – Pre 1984

From 1823 to 1984, the Medical System’s downtown Baltimore health care facilities were state-owned, operated and financed as part of the University System of Maryland, the state’s college and university system. By 1984, however, the

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Baltimore facilities were obsolete and the clinical programs required an influx of capital and operational funds that the University System of Maryland and the State were unable to provide.

The State and the General Assembly recognized that maintaining and operating these health care facilities as part of the University was unnecessarily costly and administratively cumbersome and that the requirements attendant to a State agency were deleterious to a health care system. Thus, the operations, revenues and obligations of the medical system were separated from the State so that the Medical System would become a separate, self-supporting entity. By statute, the assets were transferred to the Medical System and a separate legal and organizational structure was created that allowed independence and flexibility of management and funding.

The legislation specifically noted that many laws, management structures, and procedures developed to implement governmental functions were not appropriate for the efficient delivery of patient care operations. Instead, the legislation recognized that patient care is more efficiently served by contemporary legal, management, and procedural structures utilized by similarly situated, **private** entities across the country. The enabling legislation also explicitly stated that the obligations of the Medical System are payable only from the assets of the Medical System and are not the debts or obligations of the State.

UMMS' enabling legislation, then and now, is very clear that the Medical System is not a State agency, political subdivision, public body, public corporation or municipal corporation and is not subject to any provisions of law affecting only governmental or public entities. Nor is it quasi-governmental.

The Medical System is a private non-profit

Although the Governor has the right to appoint the voting members of the Medical System's board of directors, the Medical System is not a state agency or a quasi-state entity. Specifically,

- The State has no right to approve or disapprove the Medical System's decisions
- The Medical System issues its own debt and maintains its own credit rating
- The Medical System is a separate corporation which has been granted 501(c)(3) tax exempt status by the Federal government
- The State has not granted the Medical System immunity from liability for any actions taken by the System

For the foregoing reasons, UMMS opposes HB 1058 and the misnomer of UMMS as a quasi-governmental entity.

Respectfully submitted,

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