



2022 SESSION
POSITION PAPER

BILL NO: SB 253

COMMITTEE: Senate Finance Committee

POSITION: Support

TITLE: SB 253 - Maryland Health Care Commission – User Fee Assessments

BILL ANALYSIS

Senate Bill 253 increases the maximum amount of user fees the Maryland Health Care Commission (MHCC) may assess on hospitals, nursing homes, payors, and health care practitioners. Under the bill the maximum amount of the user fee assessment cannot exceed 20 million dollars.

POSITION AND RATIONALE

The MHCC is a 15-member independent regulatory agency. Our mission is to plan for health system needs, promote informed decision-making, increase accountability, and improve access in a rapidly changing health care environment by providing timely and accurate information on availability, cost, and quality of services to policy makers, purchasers, providers, and the public. Our operating budget is special funded through the assessment of fees on four sectors in the health care industry: hospitals, insurance companies, nursing homes, and health care practitioners. The current assessment is \$16M. In previous years we had a surplus however over the past few years this surplus has decreased significantly.

A cap increase is needed for the following reasons:

1. MHCC is providing advanced funding for the Prescription Drug Affordability Board (PDAB). The PDAB is scheduled to reimburse the MHCC for the approximate amount of expenditures of \$1M that they have incurred from Fiscal Years 2020-2022 starting in Fiscal Year 2023. The Governor's Office requested that the MHCC provide advanced funding to the PDAB when the PDAB bill was passed without a funding mechanism in 2019.
2. The continued funding requirements of the MDPCP amounting to \$600,000 per fiscal year. The projected funding that the MHCC will have funded the MDPCP from Fiscal Years 2021-2023 is \$1.8 million.

3. The Telehealth Evaluation that the MHCC was directed to complete under HB 123/SB 3. This contract was awarded in Fiscal Year 2022 to NORC for \$500,000.
4. The MHCC pays the Maryland Department of Health (MDH) a 30.5% allocation of indirect cost each fiscal year. The percentage of indirect cost was raised in 2017 from 18% to 2 30.5% because this was the percentage of indirect costs that the Boards were paying to MDH. The MHCC projected indirect costs expenditures at a rate of 30.5% for FY 2023 is \$1,827,192. The indirect cost expenditures at a rate of 18% for Fiscal Year 2023 would be \$1,078,343. This difference has added an additional number of projected expenditures to the MHCC FY 2023 budget in the amount of \$748,849. The increase in MHCC's indirect cost allocation absorbed about 20% of the increase in authorized cap that was approved in 2017.

The PDAB, MDPCP, and Telehealth expenditures have added expenditures to the MHCC in the amount of approximately \$3.3M since Fiscal Year 2020. This amount does not include the additional amount of expenditures paid in indirect costs to the MDH since Fiscal Year 2017.

Our increased obligations and mandated work extended the existing assessment cap to its ceiling in 2022 and our work in 2023 will exceed the assessment cap. MHCC maintained a reasonable fund reserve that is now being spent down. The Commission has used several approaches to curtail spending such as not filling vacancies, reducing operational expenses, and declining to conduct several insurance mandates studies due to budgetary concerns.

MHCC has prudently expended its budget in the past. An increase in the assessment cap is justified for the reasons referenced above. The MHCC urges a favorable report on SB 253.

Note: The Maryland Health Care Commission is an independent State agency, and the position of the Commission may differ from the position of the Maryland Department of Health.

