



February 21, 2023

The Honorable Josaline Peña-Melnyk
Chair, House Health and Government Operations Committee
Room 241, House Office Building
Annapolis, MD 21401

**RE: House Bill 420 – Health Services Cost Review Commission -
Hospital Rates - All-Payer Model Contract – Letter of Support**

Dear Chair Peña-Melnyk and Committee Members:

The Health Services Cost Review Commission (HSCRC) requests that the Committee favorably report House Bill 420, “Health Services Cost Review Commission - Hospital Rates - All-Payer Model Contract”.

The HSCRC has set hospital rates for all payers including, Medicaid, Medicare, commercial insurance, and self-pay, since July of 1977. The Total Cost of Care (TCOC) Model, the current State agreement with the federal Centers for Medicare and Medicaid Services (CMS), commits the State to achieving statewide financial, health care quality, population health, and care transformation targets. The hospital rate setting system is the primary mechanism used to ensure Maryland’s compliance with the TCOC Model Agreement requirements related to health care cost and hospital quality.

The TCOC Model benefits Marylanders by controlling the growth of healthcare costs, ensuring equitable funding of uncompensated care (including charity care) in hospitals, funding investments in population health, supporting key health care infrastructure (e.g., the State-Designated Health Information Exchange), and investing in primary care. HB 420 is a technical change to HSCRC’s authorizing statute that will help support the success of the TCOC Model.

HB 420 ensures that the Commission also considers the State’s obligations under the TCOC Model when taking into account objective standards of efficiency and effectiveness in establishing reasonable rates under the authority of Health General 19-219(b). The HSCRC statute already requires the Commission to take the TCOC Model into account in other aspects of the rate setting process (see Health General §19-219(c) and §19-220(d)). In addition, Health General §19-226(a), which enables the Commission to conduct investigations to authenticate reports filed by hospitals, also references the Total Cost of Care Model. HB 420 will bring Health General 19-219(b) into conformity with these other provisions of law and the State’s obligations under the Total Cost of Care Model Agreement.

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Chairman

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The Health Services Cost Review Commission is an independent agency of the State of Maryland

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Because of the obligations of the Total Cost of Care Model Agreement, HSCRC staff already take the requirements of the Model into account in reviewing and adjusting hospital rates. This change in law will not change how HSCRC staff review hospital rate applications. Rather, it will align this section of the authorizing law with current practice and other current statutory provisions.

The Commission urges a favorable report on HB 420. If you have any questions or if we may provide you with any further information, please do not hesitate to contact me at me at katie.wunderlich@maryland.gov or Megan Renfrew, Associate Director of External Affairs, at 410-382-3855 or megan.renfrew1@maryland.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Katie Wunderlich", with a long horizontal flourish extending to the right.

Katie Wunderlich
Executive Director