



Maryland
Hospital Association

February 21, 2024

To: The Honorable Pamela Beidle, Chair, Senate Finance Committee

Re: Letter of Support- Senate Bill 791 - Health Insurance – Utilization Review – Revisions

Dear Chair Beidle:

On behalf of the Maryland Hospital Association's (MHA) member hospitals and health systems, we appreciate the opportunity to comment in support of Senate Bill 791. Health insurance carriers often require "prior authorization," which is a process where the carriers review in advance whether a patient-requested item or service is medically necessary. While the practice can be useful, improper use of prior authorization delays access to vital health care services, leading to negative health outcomes. MHA supports proposals to reduce unnecessary delays and expedite patient access to critical health care items and services.

Maryland hospitals operate under a unique Global Budget Revenue Model. Under the Model, the Health Services Cost Review Commission sets each hospital's total annual revenue at the beginning of a fiscal year regardless of the number of patients served or the amount of services provided. Maryland hospitals therefore have no incentives to provide unnecessary care since additional patients or procedures would not increase a hospital's total revenue. Thus, prior authorization under GBR is largely formalistic as hospitals are already motivated to provide only necessary services.

Given the unique financial structure of Maryland hospitals, MHA believes that reforms to streamline prior authorization would reduce unnecessary delays to critical health care services. SB 791's proposal to establish time frames that carriers have available to review a prior authorization request, for example, should reduce the delays patients must endure as they wait for carrier approvals. To the extent SB 791 helps improve the authorization process enabling hospitals to discharge patients who no longer need emergency department or acute care services to more appropriate care settings, it would alleviate bottlenecks in hospital throughput. Finally, the bill's proposal to require a study to examine adjustments to prior authorization requirements based on a provider's prior approval rates should also limit unnecessary patient wait time.

For these reasons, we request a *favorable* report on SB 791.

For more information, please contact:
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