



Wes Moore, Governor · Aruna Miller, Lt. Governor · Laura Herrera Scott, M.D., M.P.H., Secretary

March 7, 2024

The Honorable Joseline A. Peña-Melnyk
Chair, House Health and Government Operations Committee
241 House Office Building
Annapolis, MD 21401-1991

RE: House Bill 1376 – Maryland Medical Assistance Program, Maryland Children’s Health Program and Health Insurance – Special Pediatric Hospitals

Dear Chair Peña-Melnyk and Committee Members:

The Maryland Department of Health (the Department) respectfully submits this letter of opposition for House Bill (HB) 1376 – Maryland Medical Assistance Program, Maryland Children’s Health Program and Health Insurance – Special Pediatric Hospitals. As a result of this legislation, the Medical Assistance Program, Maryland Children's Health Program and commercial insurers would be required to provide coverage for a special administrative day at a special pediatric hospital, and would be prohibited from requiring prior authorization for a transfer to a special pediatric hospital. It also authorizes a program enrollee to file an appeal from a proposed program medical necessity determination even if they will not benefit financially from appealing the action.

The Department notes that it cannot establish a separate, non-comparable policy with respect to administrative days for special pediatric hospitals. Therefore, to comply with this legislation, a special administrative day rate would need to be established for all hospital stays. As a result, the fiscal impact of this bill is substantial. The Department projects costs will exceed \$36,154,121 total funds (\$13,238,198 state general funds, \$22,915,923 federal funds) annually. The bill’s prohibition on prior authorization of transfers to special pediatric hospitals will also have a substantial, but indeterminate, fiscal impact.

The Department currently pays an administrative day rate for fee-for-service (FFS) hospital stays as well as select medically necessary ancillary services. Reimbursement for an administrative day covers certain medically necessary services delivered to a participant who no longer requires an inpatient level of care. HealthChoice Managed Care Organizations (MCOs) are responsible for payment of all medically necessary ancillary services provided on inpatient hospital days including those days for which the inpatient hospitalization is otherwise appropriately denied. MCOs reimburse hospital administrative days at the Medicaid FFS rate only for self-referred hospital stays. The Department currently reimburses administrative days at a rate of \$320.34/day. Administrative days for a ventilator patient who has been determined to no longer

require hospital level of care, \$853.26 per day. Ancillary charges are estimated at an average cost for FFS services of \$637.88/day. The Department is promulgating regulations that would allow hospitals to bill approximately \$637.88 in medically necessary ancillary services in addition to the \$320.43 administrative rate. The Department used the \$320.34/day administrative rate for this analysis; however, to the extent services covered as a result of this legislation are for participants requiring ventilator services, costs will be substantially higher.

In FY23, the Department covered a total of 53,477 inpatient stays for FFS enrollees, which included a total of 3,410 administrative days. The Department assumes that the creation of a new special administrative day rate will increase the volume of administrative days and related ancillary charges billed by 20%, resulting in a fiscal impact of \$653,506 total funds (\$326,753 state general funds, \$326,753 federal funds).

In FY23, the Department covered a total of 115,222 inpatient stays encompassing 686,643 inpatient days for MCO enrollees. The Department expects costs to increase due to (1) implementing coverage for administrative days as well as (2) implementing coverage for special administrative days. The Department assumes there will be an estimated 57,611 administrative days billed for which MCOs currently pay only ancillary charges, resulting in an estimated fiscal impact of \$18,455,108 total funds (\$6,313,492 state general funds, \$12,141,615 federal funds). Further, the Department assumes, there will be an additional increase of 20% in administrative days above the baseline due to the introduction of the special administrative day rate policy, resulting in 11,522 special administrative days and related ancillary charges being reimbursed by the Department, resulting in a fiscal impact of \$11,040,802 total funds (\$3,777,059 state general funds, \$7,263,744 federal funds).

Special pediatric hospitals had 7203 admissions in FY23. The Department notes that special pediatric hospitals do not typically bill for administrative days or the related ancillary costs today. Further, ancillary charges for certain facilities would reportedly exceed the average amount by as much as billed for other inpatient administrative days by more than \$900. Assuming the average ancillary charges increase by 50% of this difference ($\$935/2 = \467.50), the ancillary charges associated with these facilities would be an average of \$1,105 per day. The Department assumes there will be an estimated 544 FFS and 3,669 MCO new administrative and special administrative days covered as the result of this legislation. The fiscal impact of these changes would be \$6,004,705 total funds (\$2,820,894 state general funds, \$3,183,811 federal funds).

Finally, the Department further notes that the bill's prohibition on prior authorization of transfers to special pediatric hospitals will result in increased costs. Specifically, there will be a fiscal impact for days that are not medically necessary following the transfer that are not identified until after the fact during concurrent review. This will have a significant, but indeterminate impact.

If you would like to discuss this further, please do not hesitate to contact Sarah Case-Herron, Director of Governmental Affairs at sarah.case-herron@maryland.gov or (410) 260-3190.

Sincerely,



Laura Herrera Scott, M.D., M.P.H.
Secretary