



Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc
2101 East Jefferson Street
Rockville, Maryland 20852

February 12, 2025

The Honorable Pamela Beidle
Senate Finance Committee
3 East, Miller Senate Office Building
11 Bladen Street
Annapolis, Maryland 21401

RE: SB 437 - Oppose

Dear Chair Beidle and Members of the Committee:

Kaiser Permanente respectfully opposes SB 437, "Health Maintenance Organizations - Payments to Nonparticipating Providers - Reimbursement Rate."

Kaiser Permanente is the largest private integrated health care delivery system in the United States, delivering health care to over 12 million members in eight states and the District of Columbia.¹ Kaiser Permanente of the Mid-Atlantic States, which operates in Maryland, provides and coordinates complete health care services for over 825,000 members. In Maryland, we deliver care to approximately 475,000 members.

As a group-model health maintenance organization (HMO), KP closely coordinates primary, secondary, and hospital care; places a strong emphasis on prevention; and extensively uses care pathways and electronic medical records. Compared with more than 1,000 health plans nationwide, Kaiser Permanente's Mid-Atlantic region is one of only three commercial health plans to receive 5 out of 5 stars from the 2024 National Committee for Quality Assurance's (NCQA) Health Plan Ratings annual report. Kaiser Permanente is renowned for the tight integration of its clinical services, meaning that it is selective about which health providers it contracts with in order to provide the highest quality affordable health coverage for its members.

Current law requires that an HMO pay a nonparticipating provider the greater of two rates for an evaluation and management service: 1) either 140% of the rate paid by Medicare, or 2) 125% of the average rate from January 1 of the previous year. SB 437 proposes to amend the latter alternative, to tie the reimbursement rate to 125% of the average rate paid as of January 31, 2019, inflated by the change in the Medicare Economic Index from 2019 to the current year.

The proponents expect that this legislation would substantially increase the rates nonparticipating emergency service providers could charge HMOs (albeit with no corresponding benefit to consumers). **However, a study by the Maryland Health Care Commission, requested by this**

¹ Kaiser Permanente comprises Kaiser Foundation Health Plan, Inc., the nation's largest not-for-profit health plan, and its health plan subsidiaries outside California and Hawaii; the not-for-profit Kaiser Foundation Hospitals, which operates 39 hospitals and over 650 other clinical facilities; and the Permanente Medical Groups, self-governed physician group practices that exclusively contract with Kaiser Foundation Health Plan and its health plan subsidiaries to meet the health needs of Kaiser Permanente's members.

committee, determined that this approach would pick winners and losers among medical specialties and have mixed results for emergency physicians:

- Emergency physicians would receive higher reimbursement in some settings and lower in others. The study showed that emergency medicine reimbursement rates for hospital-based E&M services for one payer would more than double, jumping from \$168 to \$458. For the same specialty, the non-hospital-based E&M services rates for the same payer would decrease from \$186 to \$126.
- One specialty that would be especially hit hard is Critical Care – physicians who provide comprehensive care to patients with life-threatening conditions in intensive care units (ICUs) and similar settings. Reimbursement rates for this specialty would be expected to decrease overall in all settings studied by MHCC.
- Other specialties that could experience rate reductions include primary care, radiology, and medical and surgical specialists.

This bill is not the solution. It contradicts the goals of the No Surprises Act, increases healthcare costs, and compromises the stability of our healthcare system. We urge an unfavorable report for SB 437.

Thank you for the opportunity to comment. Please feel free to contact me at Allison.W.Taylor@kp.org or (919) 818-3285 with questions.

Sincerely,



Allison Taylor
Director of Government Relations
Kaiser Permanente