



February 27, 2025

The Honorable Pamela Beidle
Chair, Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, MD 21401

Re: SB 691 – Cybersecurity - Healthcare Ecosystem – Letter of Information

Dear Chair Beidle and Committee Members,

The Maryland Health Care Commission (MHCC) is submitting this letter of Information on *SB 691 – Cybersecurity - Healthcare Ecosystem*. The bill requires MHCC to implement certain cybersecurity requirements for the health care ecosystem entities (entities). This includes adopting cybersecurity standards and requiring select entities to undergo third-party cybersecurity audits and report certain information to MHCC. The bill requires MHCC to hire at least one cybersecurity expert to carry out specific functions and collaborate with the State Security Operations Center in the Department of Information Technology and Maryland Department of Emergency Management.

The MHCC is required by law to establish regulations that protect the privacy and security of electronic protected health information,¹ The regulations build on the federal requirements of the Health Insurance Portability and Accountability Act of 1996 (HIPAA).² Approximately 29 EHNs and 16 HIEs submit to annual audits that evaluate the strength of their security measures, including data encryption, access controls, and network protections against unauthorized access or breaches. The audits also assess the effectiveness of disaster recovery and incident response plans in the event of a cyberattack. The MHCC believes these named technology entities are already meeting stringent third-party audit requirements outlined in the bill, while other named provider entities minimally comply with HIPAA.

Cybersecurity is an enormous and complex issue. The risk to the health system and patients is substantial from a variety of external threats. The MHCC believes that the State government has an appropriate oversight role to play if a thoughtful program of oversight can be developed. However, the MHCC is not financially able to take on a new program such as this, given our FY 2026 proposed budget. Our projected 2026 funding has already been stretched to the limit of our authority to assess the regulated industries.³ The MHCC can assess from regulated health entities a maximum of \$20 million under our current law. The proposed MHCC operating budget for FY 2026 is \$21.6 million. The \$1.6 million difference between the proposed budget of \$21.6 million and the \$20 million to be assessed from the

¹ Chapters 534 and 535 (SB 723 | HB 535) of the 2011 laws of Maryland.

² U.S. Department of Health and Human Services, Summary of the HIPAA Security Rule available at: www.hhs.gov/hipaa/for-professionals/security/laws-regulations/index.html.

³ The MHCC is a Special Fund agency through annual assessments on hospitals (39%), payers (26%), nursing homes (19%), and health occupation boards (16%). The Department of Budget Management requires that Special Fund agencies maintain a 10% reserve in their non-lapsing fund, which for MHCC would be about \$2 million.

regulated health care entities will be withdrawn from the MHCC's fund reserve which totals just \$3.6 million.

While MHCC fully supports the intent of SB 691, given the current budget and the spending limit anchored in statute, MHCC is not in a position to take on this initiative at this time. The MHCC would be pleased to work with the legislature to develop a program of oversight after our funding issue can be resolved.

We appreciate your consideration. If you have any questions, please do not hesitate to contact me at dsharp@maryland.gov or Ms. Tracey DeShields, Director of Policy Development and External Affairs, at tracey.deshields2@maryland.gov or 410-764-3588.

Sincerely,



David Sharp,
Acting Executive Director