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MID-ATLANTIC ASSOCIATION OF
COMMUNITY HEALTH CENTERS

Senate Finance Committee

February 12, 2025

Senate Bill 437 – *Health Maintenance Organizations – Payments to Nonparticipating Providers – Reimbursement Rate*

POSITION: SUPPORT WITH AMENDMENT

On behalf of MedChi, The Maryland State Medical Society, the Maryland Chapter of the American College of Emergency Physicians, the Maryland Chapter of the American Academy of Pediatrics, and the Mid-Atlantic Association of Community Health Centers, we submit this letter of support with amendment for Senate Bill 437.

Senate Bill 437 alters the reimbursement rate a health maintenance organization (HMO) must pay a nonparticipating provider. Specifically, if an HMO pays a nonparticipating provider 125% of the average rate the HMO paid, reimbursement must be based on the rate paid as of January 31, 2019, indexed for inflation.

This bill seeks to address a disparity within Maryland's healthcare system: the low payment rates paid by healthcare insurers to physicians and other healthcare practitioners. A study by the Health Care Institute revealed that Maryland's payment rates by commercial healthcare insurers (when compared to Medicare) are among the worst in the country. Maryland ranks third from the bottom, only ahead of Alabama and Delaware. Payment rates by healthcare insurers are stagnant and are not keeping up with the cost of providing care and inflation. As a result, many physician practices have closed or announced that they can no longer participate with certain insurance companies because of low rates, which then disadvantages the patient because they either need to be out of network to stay with that physician or switch physicians.

Senate Bill 437 seeks to address the nonparticipating provider rate by amending the formula to better align with today's costs. While opponents will argue that it will disincentivize physicians and other practitioners from joining an insurer's network, there is no evidence that will occur. In fact, that was the argument made when Maryland passed the Assignment of Benefits law, and the exact opposite occurred – a greater number of physicians and other practitioners joined insurance networks. The above-mentioned organizations support the amendment being introduced by the sponsor to "hold harmless" those specialties that are concerned that their rates could be decreased under this legislative proposal. Again, this proposal aims to provide fair rates to nonparticipating providers, given that the negotiated rates are often too low to stay in the network. Ultimately, Maryland needs to address the broader rate issue, and hopefully, this bill will be a start. We urge a favorable vote with the amendment.

For more information call:

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