



Maryland
Hospital Association

House Bill 1099 - Civil Actions - Punitive Damage Awards - Surcharge

Position: *Oppose*

March 5, 2025

House Judiciary Committee

MHA Position

On behalf of the Maryland Hospital Association's (MHA) member hospitals and health systems, we appreciate the opportunity to comment in opposition of House Bill 1099. HB 1099 would change the standard for awarding punitive damages from actual malice to proving by clear and convincing evidence that the defendant acted in gross negligence. Additionally, this bill would allow courts to assess an additional surcharge up to 50% of the value of the punitive damages award to be deposited in the Blueprint for Maryland's Future Fund.

In Maryland, punitive damages are reserved for the most egregious conduct, where the defendant's actions were driven by malicious intent, such as a desire to harm or fraudulent behavior. Unlike other noneconomic damages in Maryland, which have specific caps, punitive damages are unlimited. The current actual malice standard ensures that such severe penalties are reserved for only the most egregious actions.

Maryland's unique rate setting system limits hospitals' ability to cover unplanned costs. Unexpected hikes in insurance premiums could lead hospitals to allocate their limited financial resources and budgets toward insurance costs instead of patient care. As there are no caps on punitive damages, lowering the standard to prove gross negligence by clear and convincing evidence will result in more frequent and substantially larger damages awards. Maryland insurers, as a result of potentially higher and more frequent payouts, would likely raise premiums to cover these increased liabilities. As a result, Maryland hospitals would potentially face increased premiums and other insurance costs.

Since January 2020, Maryland hospitals have faced significant financial challenges, with operating expenses rising sharply. More than half of Maryland hospital systems reported negative operating margins in most quarters over the past three years. In the third quarter of 2024, Maryland hospital system operating margins averaged just 0.3%, far below the 3% margin that experts consider necessary to sustain nonprofit health care systems. Over the past 11 years, Maryland hospital system margins have averaged only 1.6%, significantly lagging behind hospitals nationwide. Increasing insurance costs places additional financial strain on hospitals.

For these reasons, we request an unfavorable report on HB 1099.

For more information, please contact:

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