

PAMELA G. BEIDLE
Legislative District 32
Anne Arundel County

Chair, Finance Committee

Executive Nominations Committee

Joint Committee on Gaming Oversight

Joint Committee on Management
of Public Funds

Spending Affordability Committee



Miller Senate Office Building
11 Bladen Street, Suite 3 East
Annapolis, Maryland 21401
410-841-3593
800-492-7122 Ext. 3593
Pamela.Beidle@senate.maryland.gov

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

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SB 494

Maryland Health Care Commission
Certificates of Need and Material Change Transactions

Good afternoon Vice Chair Hayes and Members of the Finance Committee;

Thank you for the opportunity to present SB 494, Maryland Health Care Commission (MHCC), Certificates of Need and Material Change Transactions. This legislation is about protecting Maryland patients, workers, and communities from the harmful effects of unchecked health care consolidation.

Across the country and here in Maryland, consolidation of facilities — especially through private equity — has been shown to raise costs, increase unnecessary utilization, and strain clinical decision-making, without improving quality. While transactions to merge and acquire healthcare facilities can theoretically allow for a facility to receive the capital it needs to improve its delivery of services, there is growing evidence that these transactions can have the opposite effect. In many cases, these transactions restructure health care organizations, focusing on extracting money so they can be sold for profit. That's not better care, and it's not for the good of our communities.

It frequently means reduced staffing, services being contracted out with little attention to quality and safety, no oversight, and costs that balloon because there is no competition. This results in higher doctor and insurance bills. The challenge is when we visit a facility how can we tell whether a transaction, deal, merger, or buyout, will improve care or make it worse?

The Maryland Health Care Commission found some interesting information. In Anne Arundel County, for example, less than half of the medical groups are independently owned — they are mostly owned by corporations and integrated networks. That's not necessarily bad, but the number is continuing to grow. They found some types of corporate owners regularly increase charges and prices for patients and for certain types of services. Also, for both Anne Arundel and Prince George's County, for example, over 75% of dermatologists, and around 50% of ophthalmologists are private equity owned.

Why is this important? When we get spot checked for skin cancer, or we need cataract surgery, we are more likely to get upsold on high profit procedures we don't need, visits may get shorter, more follow-up visits required, leading to more copays, or we might have longer waits and less attentive care. We may end up paying a lot more but getting a lot less.

Medical groups, outpatient surgery centers and independent physicians are seeing the same trends across all of Maryland: the number of independent providers is going down and the influence that corporations have over our health care practices are going up.

We have already recognized this challenge – and the danger – for nursing homes. Genesis health care, for example, with nursing homes in Maryland and other states, was sued repeatedly for negligence and safety issues. The company ultimately filed for bankruptcy and it became apparent that private equity owners had extracted value from the company with sale and lease-back deals and layered debt, while the company struggled to keep operating.

Maryland currently has oversight over these nursing home transactions allowing us to protect Marylanders against these financial moves that undermine long-term care delivery in nursing homes.

This legislation parallels the nursing home regulatory authority for other health care settings. We need the same oversight – to protect our communities, to safeguard our health care, and to make sure that these consolidations, mergers, and other transactions don't drive up costs and drive down the quality, safety, and access. We need to make sure that these financial transactions help, not hurt, our health system and our communities. Right now, however like most states, Maryland doesn't have a consistent, statewide process to evaluate major health care transactions. They often happen outside of public view, even when they reshape our local health care markets.

Some states have started to tackle this challenge. California, New York, Connecticut, Iowa, Wisconsin, Washington, Massachusetts, and a handful of others have introduced, and in some cases, passed, legislation for a public interest review process. The National Academy for State Health Policy has given us some good models.

SB 494 molds those ideas into the solution Maryland needs. It creates a targeted, streamlined oversight process for large health care transactions — what we define as 'material change transactions'. This type of change would be things like mergers, acquisitions, joint ventures, management services organizations, or contracts that transfer control of a health care entity with at least \$10 million in assets or revenue.

Our goal with this bill is not to block transactions. It is to identify and address the subset of this type of transaction that pose real public health risks.

The Maryland Health Care Commission already has statutory experience overseeing nursing home acquisitions, including approving, conditioning, or denying deals when necessary, they are well suited to take over this critical oversight.

SB 494 builds on existing expertise and infrastructure — no new agency and no unnecessary bureaucracy. The process is simple and predictable. It has two phases that, in total, lasting less than 90 days. It includes a **Preliminary Review period**, a 30-day window to screen out low-risk deals so they can move through swiftly and then only for those potentially problematic transactions, a **Public Interest Review** lasting 60 days.

This public interest review focuses on those factors that matter most to the health and safety of Marylanders — affordability, quality, equity, staffing, access, and the types of services delivered. This lets MHCC review and then approve, condition, or deny a transaction — only when necessary — to ensure health and safety of Marylanders is preserved.

This review would apply to health care transactions that currently do not have oversight, including other facilities and provider organizations.

The goal is to have the right review, at the right time, to ensure our health care system is designed intentionally and with Marylanders at the center.

This process does not stop investment. It ensures the investment is aligned with the public interest, and with the review already in place for similar nursing home transactions. It ensures that good actors benefit from a clear, predictable, and fair process and that bad actors might be deterred from transactions that raise prices, reduce access, or compromise patient safety.

SB 494 ensures that when major health care deals reshape our system, Marylanders — not just investors — benefit. I respectfully request a favorable report on SB 494.