

SB0797\_RichardKaplowitz\_FAV

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**TESTIMONY ON SB#0797- POSITION: FAVORABLE**

**Maryland Medical Assistance Program and Health Insurance - Claims for Reimbursement -  
Downcoding**

**TO:** Chair Beidle, Vice Chair Hayes, and members of the Finance Committee

**FROM:** Richard Keith Kaplowitz

My name is Richard Keith Kaplowitz. I am a resident of District 3, Frederick County. I am submitting this testimony in support of SB#0797, **Maryland Medical Assistance Program and Health Insurance - Claims for Reimbursement - Downcoding**

The American Medical Association has explained *Payer evaluation and management (E/M) downcoding programs*<sup>1</sup>

Downcoding occurs when a payer changes a claim to a lower-cost service than what was submitted by the physician, leading the physician to receive payment for a lower level of care than was provided. Most frequently, a claim is downcoded because the payer disputes the use of a high-level E/M code or contends that the diagnosis on the submitted claim does not warrant a high-level service code. An increasing number of payers are downcoding claims automatically using software algorithms, without first requesting and reviewing clinical records. Inappropriate downcoding by payers can significantly reduce revenue for physician practices, especially when it becomes routine or when a physician becomes subject to global prepayment review.

The increasing use of AI software in this practice removes the human element from decisions on the level of coverage on medical payment claims.

AI is being heavily deployed by health insurance payers as a "shadow" revenue cycle tool to automatically lower the severity level of submitted medical claims, a practice known as **automated downcoding**. While insurers often justify this as a necessary measure to combat "upcoding" (billing for a higher service than provided), it has become a major source of revenue loss and administrative burden for providers.<sup>2</sup>

This bill will prohibit insurers, nonprofit health service plans, health maintenance organizations, and managed care organization from downcoding a claim for reimbursement under certain circumstances; establishing certain procedures that insurers, nonprofit health service plans, health maintenance organizations, and managed care organizations are required to follow if the insurer, nonprofit health service plan, or health maintenance organization intends or makes a final decision to downcode a claim; etc.

Maryland needs to protect against this abuse of downcoding claims harming Marylanders.

**I respectfully urge this committee to return a favorable report on SB#0797.**

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<sup>1</sup> <https://www.ama-assn.org/system/files/payer-em-downcoding-resource.pdf>

<sup>2</sup> Google AI Search "AI use for medical downcoding"