



Senate Finance Committee

Date: March 4, 2026

Senate Bill 797 -Maryland Medical Assistance Program and Health Insurance – Claims for Reimbursement - Downcoding

**Position: Favorable**

Dear Chair, Beidle and Members of the Senate Finance Committee:

Thank you for the opportunity to provide testimony in support of Senate Bill 797. LifeBridge Health, one of Maryland’s largest community-based healthcare systems, delivers comprehensive inpatient, outpatient, emergency, surgical, and specialty services across the state. We respectfully request a favorable report on SB 797, legislation that is essential to ensuring fair payment practices, sustaining provider operations, and protecting patient access to care.

SB 797 prohibits health insurance carriers from automatically downcoding properly submitted claims for services delivered in hospital and outpatient settings unless they first conduct an appropriate clinical review. Automatic downcoding occurs when an insurer lowers the level of a billed service without reviewing the patient’s medical record. In practice, this means the insurer reduces payment even though the provider followed all required steps, documented the visit thoroughly, and submitted the claim correctly.

When insurers make these unilateral changes without any clinical review, they place an undue burden on providers. In some cases, payers go even further by denying the claim outright and directing the provider to resubmit it at a lower level—even when the service is fully supported by detailed clinical documentation. This not only disregards the medical record but also forces providers to spend additional time and resources re-proving care that was already appropriately documented and coded.

These practices have broader consequences for Maryland’s healthcare system. Automatic downcoding drives administrative waste, increases appeals, and delays proper payment—all of which add cost to the system. Those added costs affect healthcare affordability by contributing to higher operating expenses for hospitals and clinics, which can translate into higher premiums, increased patient cost-sharing, and reduced resources for patient care. SB 797 helps address these rising costs by ensuring claims decisions are based on clinical documentation, not automated downgrades, supporting a more transparent and financially sustainable healthcare system.

Key impacts include:

- Financial strain on providers: Hospitals and outpatient clinics already operate on very thin margins. When insurers automatically downcode claims without any individualized clinical review, reimbursement is reduced arbitrarily. These reductions threaten the sustainability



of essential services, including emergency care, specialty treatment, and preventive health programs that communities rely on.

- Disproportionate impact on safety-net providers: Health systems such as LifeBridge Health treat a large number of medically complex patients with multiple chronic conditions who legitimately require higher-acuity services. These encounters are thoroughly documented and coded according to nationally recognized standards. Automatic downcoding ignores this clinical complexity and shifts financial losses onto organizations that serve the most vulnerable populations.
- Increased administrative burden: Improper coding changes force providers into lengthy, resource-intensive appeals processes simply to correct errors created by automated systems. This diverts both clinical and administrative staff away from direct patient care and introduces unnecessary friction into the claims and reimbursement process.

SB 797 restores fairness, transparency, and clinical integrity to the claims adjudication process by prohibiting insurers from downcoding a claim unless a clinical review supports the change. Specifically, the bill:

- Reinforces the importance of clinical documentation and coding standards: Providers already follow strict, nationally recognized documentation and coding guidelines. SB 797 ensures insurers cannot override this work using proprietary algorithms that lack transparency and may not reflect what occurred in the patient's care.
- Improves accountability in the claims process: By requiring a clinician-supported review before a claim can be changed, the bill discourages arbitrary adjustments and encourages insurers to engage directly and appropriately when there are questions about coding.
- Protects access to care: Fair and accurate reimbursement enables hospitals, physicians, and outpatient centers to sustain high-quality services across all settings, ensuring Maryland patients receive timely and appropriate care.

Maryland's health care system depends on transparent, clinically sound claims processing to ensure both fiscal stability and reliable access to care. Automatic downcoding—particularly when performed without any clinical review—undermines this foundation. It destabilizes provider operations, introduces uncertainty into reimbursement, and reduces transparency in how health care dollars are allocated. These practices also drive up the overall cost of health care by creating unnecessary administrative work, increasing appeals, and shifting operational expenses back into the system—costs that impact premiums and patient affordability.

Senate Bill 797 provides a necessary and balanced safeguard. It ensures that insurers cannot change a claim unless that change is supported by a legitimate clinical review. By aligning payment decisions with the actual care documented in the medical record, the bill strengthens the integrity of the claims process and promotes fair, accurate reimbursement.



Most importantly, SB 797 helps protect consistent access to essential health services for Maryland patients by supporting a stable, predictable, and clinically grounded payment system.

For these reasons, LifeBridge Health urges the Committee to advance Senate Bill 797 with a favorable report supporting clinical integrity, fair reimbursement, and to help keep healthcare affordable and accessible for all Marylanders.

Respectfully submitted,

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