

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

POSITION: Favorable

March 4, 2026

Senate Finance Committee

The University of Maryland Medical System (“UMMS”) strongly supports Senate Bill 797 – Maryland Medical Assistance Program and Health Insurance – Claims for Reimbursement – Downcoding. Senate Bill 797 (“SB 797”) would protect provider reimbursement by regulating insurer downcoding practices and enhances transparency around claims decisions throughout Maryland’s health insurance system.

SB 797 prohibits insurers and managed care organizations from downcoding a submitted claim without prescribed clinical review and notice procedures, ensures that downcoding decisions are appealable, and requires enhanced reporting on insurer actions related to downcoding and adverse decisions. The bill also mandates clear timelines for provider notifications, a clinical review by a qualified physician prior to a final downcoding decision, and quarterly reporting of downcoding activity to the Maryland Insurance Administration.

Healthcare providers, including hospitals, are facing significant and increasing challenges due to payer denials and inappropriate claim alterations. Nationally, care denials **increased by more than 20 percent between 2022 and 2023**. Similarly, the total dollar amount associated with denials in Maryland **increased nearly 75 percent between FY21 and FY24 (\$299 million to \$522 million)**. One factor driving this growth is the increased use of machine learning algorithms and other artificial intelligence tools. By FY24, the widespread automation of claims review led to denial or downcoding of **1 in 8 inpatient claims, 1 in 7 emergency department claims, and 1 in 10 outpatient claims**. Importantly, more than half of initially denied or downcoded claims were ultimately overturned, but only after lengthy delays and multiple, costly rounds of appeals.

Hospitals and health systems also expend significant resources appealing denials and downcoding decisions, and these administrative costs divert critical resources away from patient care and contribute to cash flow pressures. A recent survey on payment delays and denials found that the average cost incurred by providers to fight denials and downcoding is \$43.84 per claim or industry wide totaled nearly \$20 billion per year.¹ Standardizing reporting and review processes, as SB 797 requires, will promote equity in reimbursement practices, limit arbitrary

¹ Premier National Survey on Payment Delays and Denials, October–December 31, 2023, available at [Trend Alert: Private Payers Retain Profits by Refusing or Delaying Legitimate Medical Claims](#).

insurer decisions, and ultimately reduce delays in patient treatment due to disputes over coverage. The bill's appealability provisions also align with broader efforts to improve patient outcomes by preventing inappropriate denial of medically necessary care.

SB 797 aligns with, and builds on, SB 776 (2025), which was passed by the Senate Finance Committee and the General Assembly, and established a workgroup to study and make recommendations on how best to address the rise of adverse decisions in healthcare, and SB 474, which required insurance carriers to submit a report to the Maryland Insurance Administration (MIA) if the number of adverse decisions issued by the carrier has grown by more than 10 percent in the past year, or 25 percent over the past three years. The Senate Finance Committee has repeatedly recognized the significance of increased payer denials on the State's healthcare delivery system and the ability of patients to access care over the past few years, and SB 797 will assist these efforts by establishing standard procedural safeguards and data reporting for better oversight, informed policy development, and improved patient access to care.

For these reasons, the University of Maryland Medical System supports SB 39, and respectfully requests a *favorable* report on the bill.

For more information, please contact:

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