

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 229

(Chair, Finance Committee)(By Request - Departmental - Health)

Finance

Health and Government Operations

Health Services Cost Review Commission - User Fee Assessment - Repeal of Sunset

This departmental bill repeals the June 30, 2025 termination date on the formula used to determine the maximum amount of user fees that may be assessed by the Health Services Cost Review Commission (HSCRC). Thus, the user fee cap will continue to be based on 0.1% of budgeted hospital revenue or the largest cap amount determined during the immediately preceding five fiscal years. **The bill takes effect June 1, 2025.**

Fiscal Summary

State Effect: HSCRC special fund revenues increase by as much as \$1.6 million in FY 2026 to reflect higher user fees compared with current law; HSCRC special fund expenditures likely increase accordingly. Medicaid expenditures increase by up to \$315,400 in FY 2026 and \$963,300 in FY 2030 (60% federal funds, 40% general funds) due to increased hospital rates associated with the higher user fees. Federal fund revenues increase correspondingly.

(\$ in Millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$1.6	\$2.3	\$3.1	\$4.0	\$4.8
FF Revenue	\$0.2	\$0.3	\$0.4	\$0.5	\$0.6
GF Expenditure	\$0.1	\$0.2	\$0.3	\$0.3	\$0.4
SF Expenditure	\$1.6	\$2.3	\$3.1	\$4.0	\$4.8
FF Expenditure	\$0.2	\$0.3	\$0.4	\$0.5	\$0.6
Net Effect	(\$0.1)	(\$0.2)	(\$0.3)	(\$0.3)	(\$0.4)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: The Maryland Department of Health (MDH) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law/Background: HSCRC is an independent commission within MDH established to contain hospital costs, maintain fairness in hospital payment, provide access to hospital care, and disclose information on the operation of hospitals in the State. HSCRC is responsible for implementing the Total Cost of Care (TCOC) Model, the successor to the Maryland All Payer Model Contract, under which it regulates hospital population-based revenues (commonly referred to as global budgets).

User Fee Assessment

HSCRC's special fund consists of user fees assessed on hospitals and related institutions whose rates have been approved by the commission. User fees must be used exclusively to cover the actual documented direct costs of fulfilling the statutory and regulatory duties of HSCRC, including administrative costs incurred by MDH on behalf of the commission.

HSCRC must assess user fees for each facility equal to the sum of (1) the amount equal to one-half of the total user fees times the ratio of admissions of the facility to total admissions of all facilities and (2) the amount equal to one-half of the total user fees times the ratio of operating revenue of each facility to total gross operating revenues of all facilities. HSCRC must assess each facility by June 30 each year.

Chapter 582 of 2011 increased HSCRC's user fee cap from \$5.5 million to \$7.0 million, Chapter 263 of 2014 increased the cap from \$7.0 million to \$12.0 million, and the Budget Reconciliation and Financing Act of 2017 increased the cap from \$12.0 million to \$16.0 million.

Chapters 696 and 697 of 2022 altered the cap from \$16.0 million to the greater of (1) 0.1% of the immediately preceding fiscal year's budgeted, regulated, gross hospital revenue or (2) the largest cap amount determined during the immediately preceding five fiscal years. This formula applies to fiscal 2023 through 2025 and terminates June 30, 2025.

Beginning in fiscal 2026, the total user fees assessed by HSCRC may not exceed the average of the amounts determined for fiscal 2023, 2024, and 2025, which results in a reduced user fee cap compared with the provisions of Chapters 696 and 697.

Advancing All-Payer Health Equity Approaches and Development Model

The federal Advancing All-Payer Health Equity Approaches and Development (AHEAD) Model is an option that would allow Maryland to continue statewide efforts to improve health care quality and control costs under the TCOC Model. AHEAD seeks to drive state

and regional health care transformation and multi-payer alignment, with the goal of improving the total health of a state population and lowering costs across all payers.

On November 1, 2024, Governor Wes Moore and the federal Centers for Medicare and Medicaid Services (CMS) entered into an agreement for the State to participate in the AHEAD Model, following which, MDH and HSCRC successfully applied to participate. The new model will enable Maryland to build on its unique all-payer hospital rate setting system, expanding its focus on primary care, population health, and health equity. Implementation of the AHEAD Model is set to begin January 1, 2026. The [Maryland Commission on Health Equity](#) serves as the AHEAD Model governance body for the State, while HSCRC will coordinate implementation in conjunction with CMS.

HSCRC advises that the user fee assessment formula established by Chapters 696 and 697 ensures that the commission has adequate resources to meet its statutory and regulatory duties, including increased responsibilities for implementation of the AHEAD Model. In the absence of the bill, HSCRC's user fee cap is reduced and results in a budget shortfall beginning in fiscal 2026, as discussed below.

State Fiscal Effect:

Impact on Special Fund Revenues and Expenditures

Absent the bill, beginning in fiscal 2026, the total user fees that may be assessed by HSCRC may not exceed the average of the amounts determined for fiscal 2023 (\$19.6 million), fiscal 2024 (\$20.3 million), and fiscal 2025 (\$21.2 million). Thus, total user fees (and subsequently, HSCRC special fund revenues) cannot exceed \$20.4 million annually.

HSCRC advises that this cap will not be sufficient to address expenditures likely resulting from implementation of the AHEAD Model. For fiscal 2026, HSCRC estimates that special fund expenditures will be \$21.8 million (approximately \$1.4 million more than the cap).

Under the bill, HSCRC would retain the current formula that sets the user fee assessment as the greater of 0.1% of budgeted hospital revenue or the largest cap amount determined during the immediately preceding five fiscal years. HSCRC estimates that, under the formula, special fund revenues would be \$22.0 million in fiscal 2026, \$22.7 million in fiscal 2027, \$23.5 million in fiscal 2028, \$24.3 million in fiscal 2029, and \$25.2 million in fiscal 2030.

Based on these projections, under the bill, HSCRC special fund revenues increase by approximately \$1.6 million in fiscal 2026 (and by up to \$4.8 million in fiscal 2030) to reflect the total fees that may be assessed above the \$20.4 million revenue cap under current

law. HSCRC special fund expenditures increase accordingly. HSCRC advises that special fund expenditures are not anticipated to exceed special fund revenues under this scenario, thus avoiding a budget deficit for the commission.

Impact on Medicaid

Medicaid expenditures increase by as much as \$315,409 in fiscal 2026, increasing to \$963,267 in fiscal 2030 (60% federal funds, 40% general funds) due to increased hospital rates associated with the higher user fee assessment. Medicaid expenditures account for 20% of total hospital revenues annually, and increased Medicaid expenditures are therefore estimated to equal 20% of the special fund revenues in excess of the current user fee cap of \$20.4 million. Federal fund revenues increase accordingly to reflect federal matching funds.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 917 and HB 510 of 2022.

Designated Cross File: HB 54 (Chair, Health and Government Operations Committee)(By Request - Departmental - Health) - Health and Government Operations.

Information Source(s): Maryland Department of Health; Department of Legislative Services

Fiscal Note History: First Reader - January 14, 2025
rh/jc Third Reader - March 13, 2025

Analysis by: Amberly E. Holcomb

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Health Services Cost Review Commission - User Fee Assessment -
Repeal of Sunset

BILL NUMBER: SB0229

PREPARED BY: Health Services Cost Review Commission

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

☒ **WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS**

OR

☐ **WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES**

PART B. ECONOMIC IMPACT ANALYSIS

The proposal has no economic impact.