Maryland
Hospital Association

Senate Bill 515- Health Services Cost Review Commission - Health Facilities - Jurisdiction and Rate Setting

Position: *Support*
February 24, 2026
Senate Finance Committee

MHA Position

On behalf of the Maryland Hospital Association's (MHA) member hospitals and health systems, we appreciate the opportunity to comment in support of Senate Bill 515. This bill seeks to clarify existing statute to ensure that the Health Services Cost Review Commission (HSCRC) has the authority to consider physician costs when setting reimbursement rates for hospitals across the State.

Under Maryland's unique hospital payment model, the HSCRC sets regulated rates for all hospital services. Through the global budget revenue structure, each hospital's total annual revenue is also determined by the Commission and is known at the beginning of each fiscal year. In setting these rates and global budgets, the Commission is required to evaluate each hospital's financial position and consider whether the hospital has sufficient resources to meet its financial needs. This framework, however, does not adequately account for the costs hospitals incur to employ or contract with physicians. There is currently no funding mechanism that enables hospitals to recover expenditures for physician services that are not fully reimbursed by payers.

Maryland hospitals invest billions each year to recruit and retain physicians. While our hospitals expend significant amounts for clinician services, they only recover a portion of these costs in offsetting reimbursement from payers. Physicians are critical to the ability of hospitals to provide lifesaving, acute care and other health care services that communities rely on. Accordingly, the costs of employing or contracting with physicians, and the corresponding financial losses, are unavoidable as hospitals must have adequate medical staff to sustain their critical operations. This challenge is particularly acute for certain specialties, such as gastroenterology and neurology, where a hospital-based setting is typically the only way communities can access these services.

According to the Maryland Health Care Commission, physician reimbursement rates from commercial payers are the second lowest in the nation. Consequently, hospitals face significant difficulties attracting and retaining providers to work in Maryland hospitals, further exacerbating workforce shortages and gaps in care.

Given that physician staffing costs are unavoidable and essential to hospital operations, it is only appropriate that these costs be considered by the HSCRC when determining hospital rates. SB

515 is a step in that direction. It ***does not*** prescribe a specific methodology or manner through which the Commission is expected to include physician costs in its rate setting process; instead, it merely amends the statute to explicitly authorize the Commission to account for these costs in its rate setting process. The Commission retains the discretion and flexibility to determine the most feasible way to do so within the existing payment framework.

Maryland hospitals are facing unsustainable financial losses due to the rising costs of employing and contracting with physicians. This growing crisis threatens hospitals' ability to sustain core operations and preserve access to care for the communities they serve, especially in the face of enormous funding losses as part of the AHEAD transition. MHA urges swift action to address this important issue and ensure every Marylander has access to necessary care.

For these reasons, we request a favorable report on SB 515.

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