



Maryland
Hospital Association

House Bill 1597- Health- Unregulated Space in Hospital Operating Suites- Pilot Project

Position: *Oppose*

March 17, 2026

House Health Committee

MHA Position

On behalf of the Maryland Hospital Association's (MHA) member hospitals and health systems, we appreciate the opportunity to comment in opposition of House Bill 1597.

Maryland law requires the Health Services Cost Review Commission (HSCRC) to reasonably account for hospital costs, including direct and indirect costs for operating rooms, when determining hospital rates and budgets. The use of "unregulated" operating rooms, where services will have to be offered outside of this rate-setting structure, raises several concerns.

This legislation runs counter to the principles of Maryland's global budget system by allowing unregulated operating room space inside a regulated hospital. At a time when Maryland is implementing the AHEAD Model, we need a clear and consistent hospital payment structure, rather than the parallel payment structure proposed by HB 1597.

Hospitals in the proposed pilot program would incur costs for using these unregulated operating room spaces without the benefit of having these costs considered as part of the annual rate-setting process. Participation in this pilot also presents several operational challenges, such as reconciling costs between regulated and unregulated services, ensuring compliance with existing regulatory mechanisms, and likely establishing parallel administrative and billing systems for two types of services occurring within the same facility.

HB 1597 also risks undermining Maryland's carefully balanced hospital regulatory system and complicating implementation of the AHEAD Model. The AHEAD Model fundamentally alters the all-payer payment system that the state has been operating within for decades and establishes several new financial, care delivery, and access benchmarks for hospitals. This transition demands substantial operational and financial adjustments and will require considerable investments and coordination from hospitals, HSCRC, and other stakeholders.

Introducing a pilot program like the one proposed in HB 1597 at this time would worsen operational complications and financial uncertainty for hospitals without clear evidence that it will improve access, quality, or affordability for patients.

For these reasons, we request an unfavorable report on HB 1597.

For more information, please contact:

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