

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1376 (Delegate Rosenberg)
 Health

Maryland Medical Assistance Program, Maryland Children's Health Program,
 and Health Insurance - Transfers to Special Pediatric Hospitals - Requirements

This bill requires certain insurers, nonprofit health service plans, and health maintenance organizations (collectively carriers), as well as Medicaid and the Maryland Children’s Health Program (MCHP) to provide a prior authorization determination for a transfer to a special pediatric hospital (SPH) on request within three business days. If an SPH or the referring provider disagrees with a determination that a transfer is not “medically necessary”, the hospital or referring provider may request a retrospective review. A carrier, Medicaid, or MCHP must conduct a retrospective review even if the enrollee or insured will not benefit financially from the appeal. The hospital or referring provider must be reimbursed for each “administrative day” at the applicable rate from the date of the medical necessity determination until the conclusion of the retrospective review. **The bill takes effect January 1, 2027, and applies to all policies, contracts, and health benefit plans issued, delivered, or renewed in the State on or after that date.**

Fiscal Summary

State Effect: Medicaid expenditures (50% general funds, 50% federal funds) increase by \$715,100 in FY 2027, and \$1.43 million annually thereafter, as discussed below. Federal fund revenues increase accordingly. No meaningful impact on the State Employee and Retiree Health and Welfare Benefits Program.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
FF Revenue	\$357,500	\$715,100	\$715,100	\$715,100	\$715,100
GF/FF Exp.	\$715,100	\$1,430,200	\$1,430,200	\$1,430,200	\$1,430,200
Net Effect	(\$357,500)	(\$715,100)	(\$715,100)	(\$715,100)	(\$715,100)

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

Local Effect: To the extent the bill increases health insurance premiums, expenditures for local governments that purchase fully insured plans may increase. No effect on revenues.

Small Business Effect: None.

Analysis

Bill Summary: “Administrative day” means a day during which a health care provider delivers care to a patient who no longer requires care from the provider but who the provider is unable to discharge or transfer to another care setting.

“Medically necessary” means that care is (1) directly related to diagnostic, preventive, curative, palliative, rehabilitative, or ameliorative treatment of an illness, injury, or any health condition; (2) consistent with accepted standards of good medical practice; and (3) not primarily for the convenience of the patient, the patient’s family, or the provider.

Current Law: “Special pediatric hospital” means a facility in the State that provides nonacute medical, rehabilitation, therapy, and palliative services to individuals (1) younger than age 22 or (2) who are at least 2 years old and younger than age 23 and have co-occurring physical and behavioral health conditions.

Chapter 612 of 2025 prohibits certain carriers, as well as Medicaid and MCHP, from requiring prior authorization for a transfer to an SPH. Thus, Medicaid and MCHP eliminated the requirement for prior authorization for such transfers, effective January 1, 2026. Medicaid now conducts a concurrent level of care review encompassing the period from the requested start date through day 14. Providers are required to submit the initial concurrent review to MDH’s utilization control agent within 5 calendar days of the requested start date. Should the concurrent review conclude that the individual did not satisfy the SPH level of care, the SPH will not be reimbursed at the full per diem rate. Furthermore, administrative days will not be applicable when an individual does not qualify for the requisite level of care on the requested start date. Administrative days may be used only if an individual initially qualifies for a level of care but subsequently ceases to meet the criteria during the stay. SPH providers may seek concurrent review during the stay and qualify for an administrative day rate.

Medicaid advises that, under prevailing practice for all acute inpatient stays outside of SPHs, retrospective review is typically finalized post-discharge, and providers are required to determine in advance whether coverage for services or the administrative day rate will be sought. In situations where a day of services is denied upon retrospective review, the administrative day rate is not available.

State Fiscal Effect: Under the bill, Medicaid and MCHP must provide a prior authorization determination for a transfer to an SPH on request within three business days. If an SPH or the referring provider disagrees with a determination that a transfer is not

medically necessary, the SPH or referring provider may request a retrospective review. The SPH or referring provider must be reimbursed for each administrative day at the applicable rate from the date of the medical necessity determination until the conclusion of the retrospective review.

MDH advises that its current policy can be modified to provide a prior authorization determination within *three* business days *if* all necessary documentation to facilitate the review by the utilization control is furnished by the SPH or provider. Establishment of a retrospective review will require a contract modification with MDH's utilization control agent. The bill's requirement to reimburse for each administrative day from the date of the medical necessity determination until the conclusion of the retrospective review has a significant fiscal impact, as discussed below.

In fiscal 2025, MDH's utilization control agent completed 194 initial reviews and 232 continued stay reviews (CSRs). Of these, 60 were denied (38 initial and 22 CSRs). Most denials pertained to Mount Washington Special Pediatric Hospital. MDH estimates that cases would be extended by a minimum of 34 days, comprising the 14-day coverage period and an estimated 20 business days for a retrospective review.

Administrative day rates vary both by hospital and level of care. The lowest administrative day rate is \$357. At Mount Washington Special Pediatric Hospital, the administrative day rate is \$826 for children not requiring ventilator support and \$2,360 for those who do. Consequently, based on average SPH data from September 2024 through January 2026, the estimated cost to reimburse a hospital or referring provider for each administrative day from the date of the medical necessity determination until the conclusion of the retrospective review bill is \$1.4 million annually.

Thus, Medicaid expenditures increase by an estimated \$715,077 (50% general funds, 50% federal funds) in fiscal 2027 to reflect the bill's January 1, 2027 effective date, and by \$1.43 million (50% general funds, 50% federal funds) annually thereafter.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1376 of 2024.

Designated Cross File: None.

Information Source(s): Department of Budget and Management; Maryland Department of Health; Maryland Insurance Administration; Department of Legislative Services

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