

**Department of Legislative Services**  
 Maryland General Assembly  
 2026 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 1597 (Delegate Hill)  
 Health

**Health - Unregulated Space in Hospital Operating Suites - Pilot Project**

This bill establishes the Unregulated Space in Hospital Operating Suites Pilot Project, administered by the Health Services Cost Review Commission (HSCRC). Up to five hospitals may participate in the pilot project. HSCRC must report to specified committees of the General Assembly on (1) the types of procedures that have occurred in a participating hospital’s unregulated operating room space; (2) whether the outcome of those procedures indicates that they were appropriately performed in unregulated operating room space; (3) the costs associated with a hospital’s participation in the pilot project; and (4) the effects of the pilot project on the State’s Achieving Healthcare Efficiency through Accountable Design (AHEAD) Model. Each ambulatory surgical center associated with a participating hospital and freestanding surgical center in a participating hospital’s area must provide HSCRC with information deemed necessary to complete the required report. **The bill takes effect July 1, 2026, and terminates June 30, 2029.**

**Fiscal Summary**

**State Effect:** HSCRC special fund expenditures increase by \$400,000 in FY 2027, and \$50,000 annually through FY 2029, for contractual costs, as discussed below. Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	400,000	50,000	50,000	0	0
Net Effect	(\$400,000)	(\$50,000)	(\$50,000)	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** A participating hospital may be subject to an alternate method of rate determination, including an exemption from rates that allows unregulated operating room space to be physically located within a regulated facility. In addition, a participating hospital may make available unregulated operating room space to all patients and all payers, with no duplication of services in regulated operating room space.

HSCRC must develop criteria and standards for hospitals participating in the pilot project including that (1) a participating hospital must offer charity care consistent with regulated hospital services; (2) the billed charge for a service may not be higher than the participating hospital's billed charge for a similar service; (3) the cost to Medicaid and Medicare must be lower than a similar regulated hospital service; and (4) a participating hospital must increase consumer awareness and education about regulated and nonregulated services, including the potential for additional billed charges from physicians.

**Current Law:** HSCRC is an independent commission within the Maryland Department of Health 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 was responsible for implementing the Total Cost of Care (TCOC) Model, the successor to the Maryland All-Payer Model Contract and will implement the AHEAD Model from 2026 to 2034 to continue statewide efforts to improve health care quality and control costs.

The federal AHEAD Model is an option that allows 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.

HSCRC is funded through 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 each facility by June 30 each year.

HSCRC must:

- require each facility to disclose publicly its financial position and the verified total costs incurred and revenue generated by the facility in providing health services;
- review for reasonableness and certify the rates and revenue of each facility;

- keep informed as to whether a facility has enough resources to meet its financial requirements;
- concern itself with solutions if a facility does not have enough resources;
- assure each purchaser of health care facility services that: (1) the total costs of all hospital services offered by or through a facility are reasonable; (2) the aggregate rates of the facility are related reasonably to the aggregate costs of the facility; and (3) rates are set equitably among all purchasers of services without undue discrimination;
- develop guidelines for the establishment of global budgets for each facility;
- receive confirmation that facility global budget agreements, as they are developed, are consistent with the guidelines; and
- after review by HSCRC for compliance with the guidelines, post each executed global budget agreement on the commission's website.

HSCRC may review the costs, and rates, quality, and efficiency of facility services, and make any investigation that the commission considers necessary to assure each purchaser of health care facility services that: (1) the total costs of all hospital services offered by or through a facility are reasonable; (2) the aggregate rates of the facility are related reasonably to the aggregate costs of the facility; and (3) rates are set equitably among all purchasers or classes of purchasers without undue discrimination or preference, except under specified circumstances. HSCRC may review and approve or disapprove the reasonableness of any rate or amount of revenue that a facility sets or requests.

A facility must charge for services only at a rate set in accordance with HSCRC requirements and comply with the applicable terms and conditions of the all-payer model contract. Consistent with the all-payer model contract, in determining the reasonableness of rates, HSCRC may consider objective standards of efficiency and effectiveness.

**State Expenditures:** HSCRC advises that contractual services are required to administer the pilot project and to develop criteria and standards for hospitals participating in the pilot project, as established by the bill. Therefore, HSCRC special fund expenditures increase by \$400,000 in FY 2027 and \$50,000 annually through fiscal 2029 for contractual services. Federally required changes to rate-setting processes under the AHEAD model beginning in calendar 2028 may also have an indeterminate impact on these estimates.

Any decrease in Medicaid expenditures depends on several factors, including the methodology developed by HSCRC, utilization by Medicaid patients, and the substitution effect. Therefore, cost savings for Medicaid cannot be reliably quantified and have not been accounted for in this estimate.

**Additional Comments:** In March 2020, HSCRC [reported](#) on efforts to consider an option to, among other things, partially deregulate operating room space, which would likely require major statutory and regulatory changes.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 13, 2026  
caw/jc

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