



Date: March 30, 2026

To: Insurance Companies

From: William H. Hoff
Deputy Director,
Audit & Integrity

Re: Denial of Payments for Billable Medical Supplies & Drugs in
Maryland

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The Maryland Health Services Cost Review Commission (HSCRC) has been notified that insurance plans have been denying payments for separately billable medical and surgical supplies. We understand the rationale provided for these denials is based on CMS guidance suggesting that such supplies are not separately billable for operating room and interventional radiology cases.

The HSCRC is an independent state agency with the sole authority to regulate hospital rates in Maryland. In 1977, Maryland was granted a waiver from federal Medicare and Medicaid reimbursement principles, establishing the State's All-Payer Model. Consequently, under Maryland Insurance Article §15-604, all payers are legally required to reimburse Maryland hospitals based on rates approved by the Commission. Similarly, Health-General Article §19-219 mandates that Maryland hospitals charge only these HSCRC-approved rates.

Within Maryland's unique regulatory framework, CMS bundling guidelines do not supersede HSCRC rate-setting policies. The HSCRC's Accounting and Budget Manual is the definitive source for billing and reimbursement rules. Regarding medical and surgical supplies, Section 200-515 of the Manual specifies:

"The invoice inventory cost of all disposable medical and surgical supplies used in daily hospital services centers, ambulatory services centers, and certain ancillary service centers (Labor & Delivery Services, Operating Room, Ambulatory Surgery, Speech-Language Pathology, Audiology, and Interventional Cardiovascular, and Physical Therapy) are to be accounted for as a cost of the Medical Supplies Sold cost center. The related revenue must be reflected in the Medical Supplies Sold revenue center."

This provision makes it clear that supplies used in the aforementioned centers are not bundled into procedural rates. Instead, they are accounted for separately and must be billed as distinct line items. Payers are required to reimburse these charges according to HSCRC-approved rates.

Adherence to the HSCRC-approved rate structure is mandatory. Payers do not have the discretion to decide which services are subject to HSCRC rate-setting. If a hospital correctly bills for charges approved by the HSCRC, those charges must be paid accordingly. Failure to do so may result in a referral to the Maryland Insurance Administration for review and potential regulatory action.

Should you have any questions, please contact me directly via email at William.hoff@maryland.gov.

