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House Health Committee

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House Bill 944 – *Maryland Health Care Commission – Certificates of Need and Material Change Transactions*

POSITION: OPPOSE

The Maryland State Medical Society (MedChi), the largest physician organization in Maryland, **opposes** House Bill 944.

House Bill 944 would subject certain health care entities that are making a “material change” to a notice, review, and approval process before the Maryland Health Care Commission (MHCC). The covered entities include: 1) health care facilities, 2) ambulatory surgical facilities; and 3) provider organizations, such as physician practices. A “material change transaction” captures multiple types of events occurring during a single transaction or in a series of related transactions within a consecutive 5-year period. The entity involved must also have total assets, annual revenues, or anticipated annual revenues of at least \$10 million.

Covered events include mergers, acquisitions, affiliations, changes of control, formation of partnerships, joint ventures and the like, sales, and real estate sales or lease agreements involving a material amount of assets of a health care entity. If these criteria are met, the covered entity must provide notice to the MHCC, which will decide whether a public interest review is warranted. If it is, the Executive Director of the MHCC must ultimately approve, approve with conditions, or deny the proposed transaction, given broad authority to the Executive Director and not the Commission as the regulatory entity.

Notably, the MHCC initially was brought into this issue with the passage of non-compete legislation governing health occupations passed by the General Assembly in 2024, which included study language on the role of “private equity” in health care—language added at the request of the State’s hospitals. MedChi agrees that private equity may pose concerns with respect to ownership of medical practices and other health care entities, where profits can become paramount over patient safety. But this is also true with acquisitions of physician practices by hospitals and even more so by health insurers, which given the lack of health insurance competition in the State, have already driven Maryland to the very bottom of payment rates to providers. Accordingly, any regulatory process that seeks to protect patients from the concerns of market concentration, outside ownership and the like, must clearly include “material transactions” involving hospitals and insurers. As drafted, this is unclear. House Bill 944 must be clarified to cover these entities as well.

Again, while MedChi understands the impetus for this legislation and the need for review of certain transactions, given the impact they may have on the availability and cost to Maryland patients. However, this bill marks a major regulatory transformation, and legislation should not be adopted that has only had limited review and consideration. We urge the General Assembly to take its time in adopting this type of regulation, while recognizing that such a process may be in order. For these reasons, we ask the Committee to oppose House Bill 944, not because the goal of the legislation is improper, but because the concept it proposes should be the result of careful study and consideration, which has not yet occurred.

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