



Senate Budget and Taxation Committee

March 12, 2025

Senate Bill 1045 – *Sales and Use Tax – Taxable Business Services – Alterations*

POSITION: OPPOSE

On behalf of MedChi, The Maryland State Medical Society, and the Maryland Academy of Family Physicians (MDAFP), we submit this letter of opposition for Senate Bill 1045.

Senate Bill 1045 would impose a 2.5% tax on certain services provided by one business to another. Several of the identified services would impose a significant financial burden on physician practices, which in turn will increase the cost of health care to consumers. In addition, these costs could trigger changes in the current Total Cost of Care (TCOC) Model and future States Advancing All-Payer Health Equity Approaches and Development (AHEAD) Model. For these reasons, MedChi and MDAFP oppose the legislation.

Among the services covered by the codes in the bill are NAICS Sector 56110, which includes billing and recordkeeping, something that many physician practices contract out for. Also covered are data or information technology services and system software services (NAICS Sector 518, 519, or 5415), which would include electronic health records. Because payment rates to Maryland physicians consistently rank at or near the bottom of the 50 states, physician practices would be unable to absorb this tax increase. The result could be increased health care costs and a decrease in patient access to care.

Second, it is imperative that the General Assembly ensure the proposed new tax on health care does not put at risk the current TCOC Model and future AHEAD Model. The proposed tax has the potential to jeopardize a system that brings between \$1.8 billion and \$4.6 billion annually into the State's health care system by, among other things, allowing Maryland to control a variety of health care costs while also securing enhanced Medicare payments. Part of the negotiations with the Centers for Medicare and Medicaid Innovation (CMMI) recognized the potential for factors that could affect cost growth and harm physician participation, which would in turn allow CMMI to reevaluate the agreement and address any adverse impacts.

If the tax triggers CMMI review of the State's agreements under either Model, it could result in unintended consequences, including reductions in federal funding, increased financial pressure on hospitals and patients, and potential shortfalls in Medicare and Medicaid funding—ultimately harming patient access and care delivery. Therefore, before moving forward with this provision, we respectfully request that the General Assembly consult with the Health Services Cost Review Commission (HSCRC) and CMMI to fully assess the risks and ensure Maryland's health care system remains financially stable.

For these reasons, MedChi and MDAFP oppose Senate Bill 1045.

For more information call:

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