



March 24, 2022

The Honorable Shane E. Pendergrass  
Chair, House Health and Government Operations Committee  
Room 241, House Office Building  
Annapolis, MD 21401

**RE: Senate Bill 834 – Health Insurance - Two-Sided Incentive Arrangements and Capitated Payments - Authorization**

Dear Chair Pendergrass and Committee Members:

The Health Services Cost Review Commission (HSCRC) submits this letter of information for Senate Bill 834 (SB 834), “Health Insurance - Two-Sided Incentive Arrangements and Capitated Payments - Authorization.” SB 834 allows insurers and certain non-hospital providers to enter into value-based payment arrangements while also including protections for physician practices. The payment arrangements contemplated by the bill have the potential to support the State in meeting the Maryland Health Model’s goals of reducing healthcare costs and improving health outcomes.

Under the Total Cost of Care (TCOC) Model, hospitals and non-hospital providers are working together to improve outcomes across the care spectrum and advance population health. Two new, innovative programs developed by the State and CMS—the Maryland Primary Care Program (MDPCP) and the Episode Quality Improvement Program (EQIP)—use value-based payments to align incentives for primary care doctors and specialists, respectively, with the goals of the TCOC Model. However, these opportunities for physicians arose in Maryland later than they did in other states and are limited to Medicare payments.

By allowing for certain voluntary capitated payment arrangements and two-sided incentive arrangements between commercial payers and healthcare practitioners, SB 834 helps to further align hospital and non-hospital providers in alignment with the Maryland Health Model and creates an opportunity for greater all-payer alignment outside of hospitals. HSCRC believes that SB 834 is an important step forward towards value-based payment in the commercial market.

Hospital and non-hospital provider alignment is critical to the success of the Maryland Health Model, as is Medicare, Medicaid, and commercial payer alignment. HSCRC believes that SB 834 supports this aim by increasing value-based opportunities in the State. If you have any questions or if we may provide you with any further information, please do not hesitate to contact me at 410-382-3855 or [megan.renfrew1@maryland.gov](mailto:megan.renfrew1@maryland.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Megan Renfrew".

Megan Renfrew  
Associate Director of External Affairs

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