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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

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SB 834 / HB1148

Health Insurance – Two–Sided Incentive Arrangements and Capitated Payments – Authorization

Good Afternoon Chair Pendergrass, Vice Chair Pena-Melnyk and Members of the Committee;

Thank you for the opportunity to present SB 834, Health Insurance – Two–Sided Incentive Arrangements and Capitated Payments – Authorizations. SB834 is the Senate cross-file of HB1148 both bill passed their respective chamber unanimously. The Senate Bill has been amended into the same posture as the House bill.

There is a national movement in health care away from fee-for-service payment, where the focus is on high-volume care, and towards value-based care that puts patients' needs and their health outcomes at the center of care delivery. When providers are engaged in value-based partnerships, their success and financial incentives depend on improving patients' health, not just if they received a medical service. Providers in value-based partnerships are empowered to address their patients' care needs holistically by focusing on coordinated care that proactively identifies gaps in treatment and social risk factors. These are core elements to a healthy life but are repeatedly overlooked in a fee-for-service relationship when the economic incentives are not tied to health outcomes. The framework **encourages providers to address health equity, social determinants of health, and improve the patient experience.**

However, Marylanders are not able to benefit from the improved quality and better outcomes that result when payers and providers come together and form value-based care arrangements. **Maryland is the only state in the country where payers and providers in the commercial market are precluded from partnering to form the full spectrum of value-based payment arrangements.** These arrangements are not new in the state – both the Maryland Primary Care Program and Maryland's Total Cost of Care model are value-based care arrangements. SB 834 will align rules across all markets, which will enable **voluntary**, two-sided incentive and capitation arrangements to flourish with commercial plans.

SB 834 is the culmination of nearly one year of active and thoughtful collaboration among hospitals, health care providers, and health plans. It ensures participation in value-based arrangements is voluntary, and that providers are protected should they choose not to participate. It contains numerous additional patient and provider protections that are unparalleled in federal programs or laws or private contracts in other states, including but not limited to:

- A requirement that a bonus or two-sided incentive arrangement must promote health equity, improvement of healthcare outcomes and the provision of preventive healthcare services;
- A requirement that these arrangements must be voluntary, and a carrier cannot require providers to participate in a two-sided arrangement to participate in the carrier's provider network;
- An opportunity for an audit by an independent third party and an independent third-party dispute resolution process;
- Protects providers by setting a maximum downside risk that a provider can agree to in any arrangement and the opportunity for gains must be greater than the amount that can be recouped;
- Ensures transparency requiring that each year for the next 10 years the General Assembly will be briefed on the number and types of value-based arrangements that have been entered into in the state, the quality outcomes reported, any complaints that have been made and the cost effectiveness of the value-based arrangements.

Less than 40% of payments across commercial, Medicare Advantage, Medicaid, and Medicare still flow through a traditional fee-for-service model that has no link to quality and value. It is time for Maryland to join the rest of the country in expanding value-based care partnership opportunities among payers and providers. Doing so will result in a more resilient health care system in our state and improve the health of Marylanders for generations.

Thank you for your consideration of SB 834. I urge the committee to move this bill with a favorable report.