



DEPARTMENT OF HEALTH

Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Dennis R. Schrader, Secretary

March 24, 2022

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

RE: SB 834 – Health Insurance - Two-Sided Incentive Arrangements and Capitated Payments - Authorization – Letter of Information

Dear Chair Pendergrass and Committee Members:

The Maryland Department of Health (MDH) respectfully submits this letter of information on Senate Bill (SB) 834 – Health Insurance - Two-Sided Incentive Arrangements and Capitated Payments - Authorization. SB 834 provides that value-based arrangements established under certain provisions of federal law are exempt from certain provisions of State law regulating health care practitioner referrals and would provide that a health care practitioner or set of health care practitioners that accepts capitated payments in a certain manner, but does not perform certain other acts, is not considered to be performing acts of an insurance business.

SB 834 is consistent with value-based care models in health care delivery and financing, which has been gaining momentum nationally. Maryland has been a national leader on value-based care models since the 1970's when Maryland and Centers for Medicare and Medicaid Services (CMS) worked collaboratively to develop and refine payment methodologies for healthcare to combat rising health care costs utilizing an All Payer model. In 2019, Maryland and CMS further refined this model with a "Total Cost of Care" payment program. This payment model encourages hospitals to use savings under the global budget to offer incentives to non-hospital providers that improve care quality. It also offers monthly, per-beneficiary payments to primary care providers for care coordination services that can reduce hospitalizations and improve outcomes. Savings are anticipated from eliminating wasteful, unnecessary care. Savings are also expected as better preventive and chronic care reduces the number of emergency department (ED) visits and acute hospital admissions. Maryland Medicaid's application of uniform prices within global budgets lowers total care costs, reduces unnecessary utilization, and incentivizes proactive preventive and chronic disease management care.

This bill enables Maryland Insurers to develop value-based care programs in Maryland, like the Total Cost of Care Program. Private insurers have not offered value-based payment models because regulators have traditionally interpreted existing Maryland law to prohibit two-sided incentive arrangements. If enacted, SB 834 will allow carriers to streamline and coordinate contracting agreements with providers across markets and across the nation by aligning the

Maryland commercial market with Medicare, Medicaid, and the national commercial markets. Greater uniformity may lead to increased efficiencies and an improved ability to influence total health care costs by promoting better health outcomes for patients and avoiding potentially preventable future health problems.

If you would like to discuss this further, please contact Heather Shek, Director, Office of Governmental Affairs at (410) 260-3190 or heather.shek@maryland.gov.

Sincerely,

A handwritten signature in cursive script that reads "Dennis R. Schrader". The signature is written in black ink and is positioned above the typed name and title.

Dennis R. Schrader
Secretary