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Testimony
for the House Health and Government Operations Committee
In **SUPPORT** of
**House Bill 1148 – Health Insurance - Two-Sided Incentive Arrangements and Capitated
Payments - Authorization**

March 3, 2022

The League of Life and Health Insurers of Maryland Inc. is in strong support of HB 1148 and urges the committee for a favorable report.

As the health care system continues to evolve, it important that the state work towards innovative solutions to save patients money and improve health outcomes. The current antiquated fee-for-service system in Maryland is out of step with much of the rest of the country. Under a value-based care system, like that created with this bill, providers are paid based on the health outcomes of the patients and the quality of their service rather than simply the quantity of services rendered. As a result, patients are rewarded with better outcomes and lower cost treatments.

Value-based care models are successfully promoting better patient health outcomes across the country. 2019 Medicare Shared Savings Program (MSSP) results showed that Accountable Care Organizations (ACOs) with two-sided incentives outperformed ACOs without two-sided incentives, with net per beneficiary savings of \$152 compared to \$107.¹ Massachusetts' Alternative Quality Contract saved 11.7% in relative savings on claims from 2009-2016. Adult preventive care and pediatric care also improved 1.2% per year more among members in lower socioeconomic areas, reducing health disparities from 2007-2012.² In Maryland, two-sided incentive arrangements are already taking place in Medicare Advantage and Medicaid. It is time that these arrangements are allowed in the commercial market.

This bill is an important step in the continued work that carriers and providers do to lower healthcare costs. The bill does not require any provider to enter into a value-based arrangement if they prefer to continue to use the fee-for-service model. In our member's experiences in other

¹ Health Affairs "2019 Medicare Shared Savings Program ACO Performance: Lower Costs And Promising Results Under 'Pathways To Success'" <https://www.healthaffairs.org/doi/10.1377/forefront.20200914.598838/full/>

² The New England Journal of Medicine "Health Care Spending, Utilization, and Quality 8 Years into Global Payment" <https://www.nejm.org/doi/full/10.1056/NEJMs1813621>

states, this law would contain considerable protections for physicians that other laws do not include. Value-based arrangements offer physicians additional flexibility around the way they provide patient care, as it frees them from a volume-based fee-for-service system that only pays for certain services and can create pressures to increase the volume of patient visits.

Value-based care is not a new concept. League members are at the forefront of these arrangements across the country. Below are some ways that our member companies are utilizing value-based care to improve patient outcomes:

Aetna, a CVS Health Company:

Aetna has more than 2,000 value-based contracts in place, representing more than 50 percent of medical expenditures. At the center of Aetna's value-based care model is a robust, team-oriented approach, often led by the patient's primary care doctor. Patients aren't left to navigate the health care system on their own. The care team is there to support them along their health care journey. Teams are expected to focus on prevention, wellness, strategies and coordination throughout the care continuum, priorities especially important for those managing chronic conditions.

UnitedHealthcare:

Through UnitedHealthcare's value-based partnerships and strong provider relationships, physicians continue to progress toward use of risk-based payment models, including capitation. Today, UnitedHealthcare works with more than 113,000 physicians and 1,200 hospitals in some form of value-based relationship, including more than 1,250 accountable care organizations. The company's collaboration with these providers delivers meaningful results and better health outcomes to more than 17 million members.

Cigna:

Cigna launched their first value-based care relationship with a large primary care physician group in 2008, and since then it has expanded to include hospitals and specialty groups. Over the past decade, Cigna has refined the program based on insights for their collaborative providers to better support them and their journey to value-based care. Today, over 50% of Cigna's payments in the top 40 markets are in alternative payment models, and they have more than 650 commercial value-based arrangements nationwide.

Kaiser Permanente:

Kaiser Permanente's approach to financing and organizing care delivery results in high-quality care and services, and excellent member and population health outcomes, in contrast to the fee-for-service model. In each of their markets, Kaiser Permanente provides care to members and delivers value to communities through distinct but interconnected entities. Under this model, they receive prepayment for each member and then are responsible for their health care. This incentivizes helping members improve their health and stay healthy – supporting a focus on prevention, health promotion, health maintenance, and effective management of both acute and chronic conditions.

CareFirst:

CareFirst was an early adopter of bonus value-based programs and, working within the confines of existing regulatory requirements, has created several broadly adopted value-based programs, most notably with the launch of its patient-centered medical home over 10 years ago. While these programs have helped create a greater value-oriented mindset within the region, resulting in improved quality and lower costs, their ability to drive continued systemic transformation is limited by the necessity to adhere to strict fee-for-service payment and limit shared financial accountability.

As you can see, value-based care is working across the country to improve health outcomes. This bill provides an important approach to improve healthcare quality, expand access to care, improve affordability, and address equity. For these reasons, the League urges the committee to give House Bill 1148 a favorable report.

Very truly yours,

A handwritten signature in black ink, appearing to read "Matthew Celentano", with a long horizontal line extending to the right.

Matthew Celentano

Executive Director

cc: Members, House Health and Government Operations Committee