



Wes Moore, Governor · Aruna Miller, Lt. Governor · Laura Herrera Scott, M.D., M.P.H., Secretary

March 28, 2023

The Honorable Josaline Peña-Melnyk
Chair, House Health and Government Operations Committee
Room 241, House Office Building
Annapolis, MD 21401

**RE: SB 581 – Behavioral Health Care Coordination Value-Based Purchasing Pilot Program
– Letter of Information**

Dear Chair Peña-Melnyk and Committee Members:

The Maryland Department of Health (MDH) respectfully submits this letter of information for Senate Bill (SB) 581 – Behavioral Health Care Coordination Value-Based Purchasing Pilot Program. SB 581 establishes a Behavioral Health Care Coordination Value-Based Purchasing Pilot Program (Pilot Program) and requires MDH to administer the program to 500 adults at risk of hospital emergency department utilization or inpatient psychiatric hospital admission over a three-year period. To implement the program, SB 581 mandates an appropriation of \$600,000 for fiscal years 2025 through 2027.

Value-based purchasing (VBP) is an approach used to improve the quality and value of health care services an individual receives by linking provider payments to improved performance by providers. This form of payment holds health care providers accountable for both the cost and quality of care they provide.

MDH notes that prior to implementing the Pilot Program, there are several important and complex considerations that will be studied. Of most significance, MDH will need to examine the different value based rate methodologies to ensure rates match the value expected of the service line and do not reduce or inflate costs in other service lines. In establishing rates for the Pilot Program, MDH will include quality and cost targets for providers to meet. Additional items to study prior to implementation will include: (1) determining what the impact is on medical necessity criteria, (2) the implications of paying for the service through the administrative service organization, including monitoring and adjusting of claims and an effective audit methodology, and (3) selection criteria of the specific service line(s) as well as provider selection to perform the pilot.

Lastly, MDH is currently undertaking the process of Behavioral Health Rate setting which includes a provider cost review process prior to reviewing methodologies for setting future rates which will include examination of value-based purchasing options. MDH is focused on cost-based behavioral health rate setting as required by the Heroin and Opioid Prevention Effort (HOPE) and Treatment Act of 2017 (Chapters 571 and 572 of the Acts of 2017).

If you would like to discuss this further, please do not hesitate to contact Megan Peters, Acting Director of Governmental Affairs at megan.peters@maryland.gov or (410) 260-3190.

Sincerely,

A handwritten signature in blue ink, appearing to read "LH Scott". The signature is fluid and cursive.

Laura Herrera Scott, M.D., M.P.H.
Secretary