



Texas Association of Health Plans

1001 Congress Ave., Suite 300

Austin, Texas 78701

P: 512.476.2091

www.tahp.org

April 12, 2023

Re: Support for SB 1135

Dear Senator Kolkhorst & Members of the Senate Committee on Health & Human Services,

As the statewide trade association representing health insurers, HMOs, Medicaid managed care, and other health plans that serve over 20 million Texans, the Texas Association of Health Plans (TAHP) is committed to ensuring that Texas families and employers have access to affordable, comprehensive, and high-quality coverage. One threat to this affordability is the growing number of mandates that are considered and passed by the Texas Legislature.

Value-based healthcare is a model that aims to improve patient outcomes while reducing costs. It is based on the principle that health care providers should be paid for the value they deliver, rather than the volume of services they provide. This means that health care organizations must focus on delivering high-quality care that meets the needs of their patients, while also managing costs and ensuring that resources are used efficiently.

Health care is rapidly moving towards capitated, value-based care arrangements like advanced primary care and direct primary care, where providers take on the risk of caring for patients for a set monthly fee. These models are gaining traction with employees, employers, and doctors. Of note, more than 80% of employees say they would sign up for an all-inclusive direct primary care plan if given the option.

Texas law, written decades ago, limits payment and benefit design innovation. HMOs are the only type of health plan in Texas that can partner with doctors for risk-based, value-based payments. Unfortunately, PPO and EPO plans cannot pay a primary care doctor a flat, monthly payment for risk-based direct primary care or advanced primary care. Capitated payment arrangements allow physicians to assume risk, which is currently considered the business of insurance.

The American Academy of Family Physicians states, "It's clear that volume-based, fee-for-service (FFS) care doesn't adequately support the comprehensive, continuous nature of primary care, and it doesn't keep costs in check. Value-based care (VBC), by contrast, is



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comprehensive and longitudinal, prioritizing quality and outcomes over quantity of services provided.”

The State of Texas agrees, as Medicaid is moving to value-based care. The Texas Health and Human Services Commission says that “Fee-for-service payment models are generally seen by health care experts to incentivize volume and not necessarily promote quality.” That’s why, as of 2021, half of Medicaid contracts must now be in alternative payment models, and one quarter of those agreements must include risk-based payments.

This legislation clarifies that a provider who enters into such an arrangement is not required to obtain a certificate of authority, as they are not considered “insurers.” The bill ensures that providers are not forced into value-based care arrangements, and it sets out contract terms that must be included in these payment models.

We support the legislation and the effort to modernize Texas’ outdated and unnecessary restrictions in the Insurance Code. We also want to applaud the Texas Academy of Family Physicians and the Primary Care Consortium in their collaborative efforts to make shared progress in health care that will benefit patients with quality-driven health care.

Sincerely,

A handwritten signature in black ink that reads "Jamie Dudensing". The signature is written in a cursive, flowing style.

Jamie Dudensing, RN
CEO
Texas Association of Health Plans