Financial Implications of the Patient-Centered Medical Home

Martin J. Arron MD, MBA
Vice President for Ambulatory Operations
Beth Israel Medical Center
New York, New York

December 7, 2008
Patient-Centered Medical Home: Financial Implications

- **Primary Focus:**
  - Primary care physicians
  - Hospitals
  - Public and Private Payers

- **Defer discussion related to:**
  - Medical and surgical specialists
  - Employers
  - Other “players” in health care industry
### PCMH: Financial Implications - Cost of enhanced office infrastructure

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>Keckely Model</th>
<th>Goroll Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health coach</td>
<td>$78,000</td>
<td>NA</td>
</tr>
<tr>
<td>Data manager</td>
<td>$27,000</td>
<td>$65,000</td>
</tr>
<tr>
<td>Registered Nurse</td>
<td>NA</td>
<td>$90,000</td>
</tr>
<tr>
<td>Nurse practitioner</td>
<td>NA</td>
<td>$100,000</td>
</tr>
<tr>
<td>Social worker</td>
<td>NA</td>
<td>$35,000 (.5 FTE)</td>
</tr>
<tr>
<td>Nutritionist</td>
<td>NA</td>
<td>$35,000 (.5 FTE)</td>
</tr>
<tr>
<td>Practice manager</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>HCIT</td>
<td>Initial</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

Patient-Centered Medical Home: Proposed reimbursement models

- Modified RBRVS payment system\textsuperscript{1}
- Visit-based system using diagnostic groups +/- risk sharing\textsuperscript{2}
- Multi-component risk-adjusted systems\textsuperscript{1,4,5}
- Comprehensive monthly risk-adjusted payment\textsuperscript{1,3}
- Evidence-based case-rate model\textsuperscript{1}
- Provider group model\textsuperscript{1}
- Care management organization plus physician model\textsuperscript{1}

PCMH: Financial Implications-
The Lewin Group’s FP Salary Estimates

Assumes physician maintains current work hours, increases patient volume through increased productivity. Model based on family practice data

Koenig L, Sheils J. The Lewin Group, July 15, 2004
Patient-Centered Medical Home: Financial implications for hospitals

Revenue reductions:
- 20% fewer ER visits
- 10% fewer admissions
- Reduced diagnostic testing (labs, imaging)

Significant capital investment for hospital-owned PCP’s

Potential adverse impact on specialists

Opportunity to partner with PCP’s and enhance loyalty

Enhanced attractiveness to public and private payers

PCMH: Financial Implications-
Public and private payers

- Cost shifting to outpatient settings with potential savings
- Value added to employers, tax payers
- Physicians
  - Bi-directional data interfaces with clinicians
  - More complex reimbursement contracts
  - Audits
- Mid-level providers
- Pilot project sponsorship

Keckely PH Uberwood HR. Deloitte Center for Health Solutions, accessed September 20, 2008, 
http://www.deloitte.com/dtt/cda/doc/content/us_chs_MedicalHome_w.pdf
PCMH: Financial Implications - Failed promise of disease management

<table>
<thead>
<tr>
<th>Disease</th>
<th>Healthcare Utilization</th>
<th>Financial Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHF</td>
<td>Reduced hospital admissions</td>
<td>Inconclusive evidence</td>
</tr>
<tr>
<td>CAD</td>
<td>Inconclusive evidence</td>
<td>Inconclusive evidence</td>
</tr>
<tr>
<td>Diabetes</td>
<td>Inconclusive evidence</td>
<td>Inconclusive evidence</td>
</tr>
<tr>
<td>Asthma</td>
<td>Inconclusive evidence</td>
<td>Evidence for no effect</td>
</tr>
<tr>
<td>COPD</td>
<td>Insufficient evidence</td>
<td>Insufficient evidence</td>
</tr>
<tr>
<td>Depression</td>
<td>Increased utilization</td>
<td>Increased cost</td>
</tr>
</tbody>
</table>

29 reviews/meta-analyses, 1990-2005, covering 317 unique studies

Mattke S et al. AJMC 207;13;670-676
PCMH: Financial Implications - Physician Group Practice Demonstration

4 year pilot ending March 2009
QI and cost efficiency incentives at provider group level
PGP expenditures grew more slowly than controls

Year 2 Results:

- Medicare savings: $17.4M
- $16.7m payments received by 10 physician groups
  - 4 Groups: $13.8m for improving quality & efficiency
  - 10 Groups: total $2.9M PQRI bonuses (>96% of total)
- Quality of care improved for chronic disorders
  - All 10 groups reached 25/27 benchmarks (5 @ 27/27)
  - Diabetes +9% CHF +11% CAD +5%

PCMH: Financial Implications-
Favorable preliminary results from Geisinger

<table>
<thead>
<tr>
<th></th>
<th>Hospital Admissions</th>
<th>Hospital Readmissions</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>-20%</td>
<td>-7%</td>
<td></td>
</tr>
<tr>
<td>Lewisburg Community Hospital</td>
<td>-14%</td>
<td>-12%</td>
<td></td>
</tr>
<tr>
<td>Lewistown Hospital</td>
<td>-20%</td>
<td>-48%</td>
<td></td>
</tr>
</tbody>
</table>

1\(^{st}\) yr data of 2 year pilot of PCMH, EHR, extensive care management support,
$1,800 per MD per month, $5000 per month per 1000 enrollees

Paulus RA et al. Health Affairs 2008:27:1235,
Abrams M, Commonwealth Fund, Special Senate Committee on Aging, July 23, 2008
## PCMH: Financial Implications - Potential costs savings for payers

<table>
<thead>
<tr>
<th>Description</th>
<th>Net savings to payers</th>
</tr>
</thead>
<tbody>
<tr>
<td>All adopt PCP</td>
<td>$185,500</td>
</tr>
<tr>
<td>AMH-no change in reimbursement</td>
<td>$60,271</td>
</tr>
<tr>
<td>AMH-e-consults and care management reimbursed</td>
<td>$26,768</td>
</tr>
<tr>
<td>AMH-per patient fee</td>
<td>$39,971</td>
</tr>
<tr>
<td>AMH-Diabetes care bonus</td>
<td>$38,335</td>
</tr>
<tr>
<td>AMH-Cardiac care bonus</td>
<td>$14,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$364,845</strong></td>
</tr>
</tbody>
</table>

Assumes 2030 patients in panel, $25 fee per E-consult, $15 pmpm care management fee for 10% population, $10 per pt AMH fee, $160 payment/$390 savings per cardiac pt, $80 payment/$350 savings per diabetic patient, increased PCP payment $154,240, $67 billion total savings.

Koenig L, Sheils J The Lewin Group July 15, 2004
PCMH: Financial Implications - Commonwealth Fund's estimates

Required enrollment of all Medicare FFS beneficiaries to patient-centered medical home with case management fee (pmpm) yields:

5 year savings: $60 billion

10 year savings: $194 billion

Abrams M, Commonwealth Fund, Special Senate Committee on Aging, July 23, 2008
PCMH: Financial Implications - Conclusions

- Staffing models and related costs still being defined
- Significant investment in practice infrastructure needed
- Preferred reimbursement strategies being determined
- Substantial increased income possible for PCP’s
- Hospitals face reduced revenues and increased costs
- ROI for payers may be substantial, though unproven
- Data underlying the financial models limited
- Pilot projects with public & private payers needed

Abrams M, Commonwealth Fund, Special Senate Committee on Aging, July 23, 2008