

FINANCING MEDICAL HOME SERVICES

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Why payment reform as part of the medical home?

- ▶ Two cited rationales for payment reform
 1. Infrastructure support: Several have modeled the costs to a practice to operate a medical home and have found that it requires additional resources in the practice setting, including PCP and other care team member time traditionally non billable activities
 2. Incentive Alignment: Many believe that only changes to the payment system that motivate and effective care and counter the FFS “gerbil wheel” incentive will generate practice transformation

Challenge: What Does it Co\$t?

- ▶ Varying Assumptions...
 - **Future of Family Medicine 2004: Transition costs of \$23,000 - \$90,000 per physician***
 - ▶ \$15 PMPM for patients with chronic conditions
 - **Ambulatory ICU: \$40-50 PMPM for primary care – but assumes more complex patients**
- ▶ **Deloitte Analysis****
 - **Initial investment of \$100,000/FTE**
 - **Ongoing expenses would increase \$150,000 per year/FTE**
- ▶ **ACP/Commonwealth “Costing the Medical Home Study” – Report Fall 2008**
 - **Assess the incremental cost of building the medical home based on NCQA PPC-PCMH framework**

http://www.annfammed.org/cgi/reprint/2/suppl_3/s1

****Deloitte: The Medical Home, Disruptive Innovation for a New Primary Care Model**

Accessed at: http://www.deloitte.com/dtt/cda/doc/content/us_chs_MedicalHome_w.pdf

PCMH COST ESTIMATES

Author	Estimate	Whats included and excluded
Goroll et al.	\$5.83-9.38 PMPM	NP (.5 FTE) Data Manager (.85 FTE) Nutritionist (0-.05 FTE) Social Worker (0-.05 FTE) The latter 2 would be excluded in smaller practices * Excludes EMR related costs
Deloitte Center for Health Solutions	\$8.66 PMPM	PCP annual \$100K for care coordination Health coach salary and fringe Health Coach Tools (data coll) Data Manager (.33 FTE w/salary of \$65K and fringe *Excludes EMR related costs

PCMH COST ESTIMATES

Author	Estimate	Whats included and excluded
Baron (PA)	\$3.78-5.04 PMPM	NP (.3 FTE) MA (.3 FTE) Health Educator (.1 FTE) Social Worker (.1 FTE) Lost PCP revenue for Project Mgt* Excludes EMR related costs
Rhode Island Care Sustainability Initiative	\$4.78-7.34 PMPM	PCP added annual \$100K payment for care coordination Health Coach salary and fringe Health Coach tools (data collection etc) Data Manager (.33 FTE w/salary of \$65K and fringe * Excludes EMR related costs

COSTS TO TRANSFORM OFFICES TO PCMH

- ▶ Employee cost for additional staff
- ▶ Equipment costs
- ▶ IT solutions
- ▶ Additional resources to create infrastructure
- ▶ Staff time to complete survey information
- ▶ Application fees

The Medical Home payment method should have 3 fee structures

1. A *contact- or visit-based fee* component that recognizes and values evaluative/cognitive services and also preventive counseling, telephone and e-mail communication, consultation, and team care, as defined by *Current Procedural Terminology* (CPT) codes and paid on a fee-for-service or capitated basis.
2. A *care management fee* to cover physician and non-physician clinical and administrative staff work linked to the delivery of medical home services and paid as a per-member per-month fee, with adjustments based on the complexity of the patient mix.
3. A *performance or pay-for-performance fee* for evidence-based process, structure, or outcome measures and paid as a bonus, either on a per-member per-month basis or as a fee schedule increase.

NCQA PATIENT CENTERED MEDICAL HOME PRICING

Number of physicians	Initial fee for survey tool	Application fee for review and recognition	Total license and application fees
1	\$80	\$450	\$530
2	\$80	\$900	\$980
3	\$80	\$1350	\$1430
4	\$80	\$1800	\$1880
5	\$80	\$2250	\$2330
6 or more	\$80	\$2700	\$2780
>100	\$80	\$2700 +\$10/#>100	\$2780 +\$10/#>100

Financial support

- ▶ No single best payment model
- ▶ No consensus on appropriate level of financial support
- ▶ Sense that payments must address both
 - Costs for infrastructure necessary for transformation
 - On going costs to maintain PCMH

*Disagreement on what on going costs are, and for some whether there are even additional costs to functioning as a PCMH

Summary

- ▶ There are a few different payment models that have emerged so far
- ▶ The models make a prospective investment with the assumption that savings will result
- ▶ We don't know what works best yet