The price tag on a patient-centered medical home

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The patient-centered medical home (PCMH) is a concept at the heart of many health care reform models that aim to both improve the quality of care and reduce wasteful spending. But a new analysis of federally qualified health centers finds that clinics with higher scores as medical homes also had higher per-patient operating costs.

The research, published online in the *Journal of the American Medical Association* and presented today at the AcademyHealth conference in Orlando, Fla., is the first national study to put a price on these additional costs.

"We're not saying that the medical home costs too much and we can't do it," said first author Robert Nocon, MHS, Senior Health Services Researcher at the University of Chicago Medicine. "Primary care providers today are being asked to implement a model and improve care in a way that will hopefully benefit patients and hopefully have a lot of good downstream impacts, but in a way that doesn't have downstream financial benefits for them. Instead, we need to build a system that promotes the care that we want to happen."

Patient-centered medical homes are clinics that provide access to comprehensive, high-quality primary care and case management. Research has shown that shifting patient care to these clinics can decrease health care spending by reducing hospitalizations and inappropriate emergency department use.

However, in the current system, most physicians will not benefit from these savings. Indeed, the new analysis suggests that many practices will incur additional expenses for turning a clinic into a true PCMH through spending on additional personnel, technology such as electronic health records, and quality improvement measures. The authors conclude that financial incentives must be designed to ensure that the PCMH model can be sustained.

"If policymakers want to have medical homes, then the current system is not set up to lead to that result," said co-author Marshall Chin, MD, MPH, Professor of Medicine at the University of Chicago Medicine. "It's pie in the sky unless the funding changes occur that support the people who are doing the medical-home work."

The study rated 669 health centers on a 100-point "Safety Net Medical Home Scale" based on the results of a survey assessing PCMH features such as access/communication, patient tracking, and quality improvement. For example, the scale measures whether patients can contact their clinician on a timely basis or the providers' ability to secure outside referrals for their patients. Those ratings were then correlated with health center costs using a database maintained by the Health Resources and Services Administration's Bureau of Primary Health Care.

The analysis found that the mean operating cost per patient per month for the clinics was $51.23. The cost of improving 10 points on the PCMH scale — an "operationally meaningful" difference, the authors write — would be an additional $2.26 per patient per month for an average health center. For the average patient population per clinic of 18,753 patients, that translates to more than $500,000 in additional costs annually.

"We know that the margins are thin in primary care, and our analyses

show that the cost impact of this model is enough to eat into that significantly," Nocon said. "The things that we're asking these clinics to do as part of this model have a cost impact, and if we don't find ways to ensure that they can share in the financial benefits, it really is a risk to the sustainability of the entire model."

While significant, the additional costs of transforming clinics into patient-centered medical homes are far outweighed by potential health care savings. A 2010 study of an integrated delivery system utilizing PCMHs found savings of $18 per patient per month from reduced hospitalization and emergency department use.

However, for the majority of the U.S. health care system, the financial beneficiaries of increased PCMH utilization are separate from the primary care providers who bear the burden of additional costs.

Some of the models being tested by the Center for Medicare and Medicaid Innovation may remedy this disconnect between the savings and costs of implementing PCMHs. Accountable care organizations, entities that provide both primary and specialty care for their patient population, can bring these costs and savings together under a single budget. Another example, the Federally Qualified Health Center Advanced Primary Care Practice Demonstration, pays health centers $6 per Medicare beneficiary per month to implement the PCMH model. Policy changes, such as increasing reimbursement rates for primary care in a PCMH clinic, also would help relieve the financial burden for providers.

"In many ways, the patient-centered medical home is preventative care that keeps people from getting sick enough to go to the hospital in the first place," Chin said. "If we can shift the money we save from preventing that hospitalization or emergency department visit up front to preventive care, then that's one of the most promising solutions for how

we can reduce the overall rate of rise of the U.S. health care budget and improve care at the same time."

Additional research is required to assess the value of a higher PCMH rating — measuring whether the additional features and costs translate into better health outcomes for patients of these clinics. Other factors besides cost also may influence a clinic's ability to function as a PCMH, including size, geography and financial incentives for practice improvement.

"To improve coordination of care and effectively manage patients with complex conditions requires investment in staff and better information systems," said Melinda Abrams, vice president at The Commonwealth Fund, which co-funded the study. "That costs money upfront, but helps save money downstream due to reduced hospitalizations. This study points to the need to invest more in primary care to improve quality and assure value for patients."

The study, "Association Between Patient-Centered Medical Home Rating and Operating Cost at Federally Funded Health Centers," is published online in *JAMA*.

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