



In the Literature

Highlights from Commonwealth Fund-Supported Studies in Professional Journals

Structuring Payment for Medical Homes

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Synopsis

A new paper examines four different payment approaches for the increasingly popular patient-centered medical home model, examining the incentives and practical issues likely to arise under each approach.

The Issue

The patient-centered medical home is attracting substantial attention, but there has been little consideration paid to alternative payment methods for this care model. Nearly all current medical home demonstration projects use a payment approach that includes monthly care coordination payments to support the medical home structure, a fee-for-service component for office visits, and, in many cases, performance-based incentive payments to recognize quality and efficiency goals. New and forthcoming medical home pilots are testing a range of payment models to reimburse practices, yet there has been no careful examination of payment approaches. In this paper, researchers examine the strengths and weaknesses of four payment strategies.

“There is an inevitable tradeoff between consistency of payment approaches across patients and the need to reflect the diversity of practice situations, baseline patient care approaches, and cultures.”

Alternative Payment Approaches

Medical home payments could be structured in several ways, building on either the fee-for-service or capitated approach. The authors analyzed the following payment alternatives for the medical home:

- **Enhanced fee-for-service evaluation and management payments.** This approach would be based on the current fee-for-service model, but would pay providers more for visits to help pay for medical home functions like use of technology, patient communication via phone or e-mail, and care coordination. This approach would create minimal administrative burden on providers and payers, but could perversely encourage more office visits rather than the complementary medical home activities it is meant to encourage.

- **Additional codes for medical home activities within fee-for-service payments.** The approach would create new current procedural terminology (CPT) codes to recognize important services not often paid for, such as smoothly transitioning patients from hospital to home or expanding hours of service. This approach has the advantage of building on the current system, but adds to administrative complexity.
- **Per-patient per-month medical home payment to augment evaluation and management fee-for-service payments.** This hybrid model introduces a capitation (i.e., per-patient per-month) element into the fee-for service model. This approach will allow physicians flexibility with minimal administrative burden, but will likely require some variation in the monthly payment amount to account for the population served.
- **Risk-adjusted, comprehensive per-patient per-month payment.** A new approach to capitation, this method would set a single payment to cover all primary care services, not just medical home activities. Risk adjustment would have to be made at the individual level and mechanisms may be required to ensure that needed services are provided, given the potential incentive to withhold services.

Addressing the Problem

There are a number of factors that will affect adoption of the medical home model, the authors say. First, the sustainable payment designs outlined in this study do not address the short-term financing needs associated with start-up costs, like the implementation of electronic records, for instance. Additional issues that have implications for medical home viability include within-practice compensation arrangements that might dilute the strength of incentives from payers and the degree to which a practice can adjust to various payers designing differing payment approaches. The authors conclude that there is no single best way to structure medical home payments, and point out that the different payment approaches provide an opportunity to examine their effects on the evolution of the medical home model.

The Bottom Line

The widespread interest in medical homes continues, but there is a dearth of research on alternative payment approaches to support the model. Evaluations of the many ongoing demonstrations should focus on payment design, as well as on care process and cost.

Citation

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