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In the Literature

Highlights from Commonwealth Fund-Supported Studies in Professional Journals

Association Between Patient-Centered Medical Home Rating and Operating Cost at Federally Funded Health Centers

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Synopsis

A study of federally funded health centers found that those that have a greater number of attributes associated with a patient-centered medical home also had higher operating costs. Although medical homes have the potential to improve quality of care and slow the growth in overall health care costs, primary care payment must reflect the increased costs associated with the medical home to ensure that this care delivery model can be sustained.

The Issue

With early evidence showing that patient-centered medical homes (PCMHs) can improve access to high-quality primary care, many health care leaders are calling for widespread adoption of this care delivery model. To make informed decisions when implementing a PCMH, primary care practices must understand the operating costs—those related to providing round-the-clock access to care, purchasing and maintaining electronic health records and clinical information systems, and others. Such data are also needed to design financially feasible payment policies for medical homes. Writing in the *Journal of the American Medical Association,* Commonwealth Fund–supported researchers compared practices' medical home ratings, specifically looking at federally funded health centers, and their operating costs.

"Payment for the medical home should be evidence-based and grounded in observations of costs that accrue to each stakeholder."

Key Findings

- Higher scores on a scale assessing six aspects of PCMHs were associated with higher operating costs. Specifically, a 10-point-higher overall PCMH score was associated with a $2.26, or 4.6 percent, higher operating cost per patient per month.

- Two medical home subscales—ability to track patients and capacity to perform quality measurement and improvement—were associated with greater costs. A 10-point-higher score for patient tracking was associated with higher operating costs per full-time-equivalent physician ($27,300) and per patient per month ($1.06). A 10-point-higher score for quality improvement was associated with higher operating costs per full-time-equivalent physician ($32,731) and per patient per month ($1.86).
- Access and communication were one aspect associated with lower operating costs. Specifically, a 10-point-higher score for access and communication was associated with lower operating costs per full-time-equivalent physician ($39,809).

Addressing the Problem

From health clinics' standpoint, the higher operating costs associated with higher PCMH ratings are significant. For example, $2.26 in higher operating costs per patient per month translates to $508,207 annually for the average clinic in the study. While such expenses are high for a clinic, they are small relative to potential savings from better management of patient care in medical homes versus emergency department use or hospitalization. A 2010 study of an integrated delivery system using PCMHs found savings of $18 per patient per month from reduced hospitalization and emergency department use. Yet under most delivery models, such downstream savings would accrue to health care payers, not physician practices. The authors conclude that financial incentives must be designed to ensure the PCMH model's sustainability.

About the Study

The authors assessed the relationship between a practice's medical home rating and its operating costs, focusing on 669 federally funded health centers. The centers were rated on a 100-point medical home scale based on findings from the 2009 Commonwealth Fund National Survey of Federally Qualified Health Centers. The scale measures patients' ability to contact their clinician on a timely basis and providers' ability to secure outside referrals, among other functions. The authors focused on three cost measures: operating costs per full-time-equivalent physician, operating costs per patient per month, and medical costs per visit.

The Bottom Line

Medical homes may incur higher per-patient operating costs because of their spending on additional personnel, electronic medical records, and quality improvement measures. To ensure the model can be sustained, appropriate financial incentives are needed.

Citation

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This summary was prepared by Martha Hostetter.