# AHRQ Estimating the Costs of Supporting Primary Care Practice Transformation Grants

## Costs of Transforming Established Primary Care Practices to Patient-Centered Medical Homes

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## Overview of Estimating Costs Grant

In late 2009, HealthTexas Provider Network's (HTPN's) board of directors passed a resolution requiring all its primary care practices to meet National Committee for Quality Assurance (NCQA) criteria for patient-centered medical home (PCMH) recognition. The process of transformation and application for recognition began in January 2010. By December 2012, NCQA had recognized 57 HTPN practices as Level 3 PCMHs and three practices as Level 2 PCMHs—making it one of the largest groups of PCMHs in the United States. The focus of the transformation for all practices was on access and communication (NCQA standard 1). Changes made included improved processes to assign a primary care physician to each patient; improved care coordination, scheduling, and team-based care; better meeting patients' language needs; providing around the clock telephone coverage; and using health information technology to identify patients who are overdue for services.

The first set of Baylor Health Care System/HTPN practices to attain PCMH recognition is now coming due for renewal and will need to meet the revised 2011 PCMH criteria, which provides an opportunity to estimate the costs of maintaining PCMH certification.

This study has two specific aims:

**Aim 1:** Estimate the costs of a primary care practice's initial PCMH transformation and application for formal recognition under 2008 NCQA criteria.

**Aim 2:** Estimate the additional costs of renewing PCMH recognition under 2011 NCQA criteria for PCMHs initially recognized under 2008 criteria.

Both direct and indirect costs are being estimated to achieve both aims. Direct costs include time and effort, by type of activity and job category; monetary outlays for care transformation, including wages, training, supplies, documenting processes and procedures, survey development, and submission of the application for NCQA recognition; and any infrastructure or capital purchases made at the corporate or individual practice

### Health Care Setting

This project was based on the experience of 60 primary care practices within HTPN, a large ambulatory care medical group practice affiliated with the Baylor Health Care System in North Texas. HTPN has more than 70 primary care practices, most of which are small; 67 percent have fewer than five physicians, and 46 percent have only one or two physicians.

### Location

Greater Dallas/Fort Worth area

### Costs Estimated

- Costs related to primary care transformation, including time and effort, by type of activity and job category
- Corporate and practice-level infrastructure or capital expenditures
- Costs of applying for PCMH certification and recertification
- Opportunity costs (forgone revenue)

level. Indirect costs consist of forgone revenue that could have been earned by an individual practice when employees could have alternatively provided patient care that would have been reimbursed.

## Data and Methods

For both Aim 1 and Aim 2, data used for the cost analyses include:

- Payroll data.
- Expenditure data.
- Qualitative data from key informant interviews with corporate resource leaders and clinical and management staff from a sample of six primary care practices.

Direct costs will be estimated based on:

- Observed expenditures.
- The average hourly wage for individuals in each job category, multiplied by the estimated number of hours spent on PCMH certification-related activities. For employees, average wages are estimated based on payroll data. For physicians, average wages are based on reimbursements for an average office visit, minus practice expenses. Dollar values will be adjusted for inflation based on data from the Bureau of Labor Statistics, and capital expenditures will be depreciated using the straight-line method over the assumed life of the equipment.

Indirect (opportunity) costs are defined as forgone revenue from time spent on PCMH transformation activities that could otherwise have been spent on patient care. Indirect costs will be estimated based on the time and effort of individuals by job category within practices, multiplied by the average reimbursements earned by the practice for an average office visit and the individual's average percentage of effort toward reimbursable activities.

> "Results from this study can help primary care practices, health care systems, health care payers, and health policymakers to estimate the costs of transformative primary care practice redesign and implementation. The estimates, insights, and lessons learned from this study will be especially relevant to the growing proportion of primary care practices that are part of integrated health care systems."
>
> - Neil Fleming, PhD, Principal Investigator

Interview data are being used to assess infrastructure expenses, equipment purchases, hours worked by job category at the corporate and clinic levels to apply for and achieve PCMH recognition, and the time spent on PCMH certification-related activities that could otherwise have been spent on revenue-generating activities.

Costs will be estimated separately for the PCMH transformation and the process of applying for PCMH recognition. Both mean and median amounts of effort by job category will be reported for the different activities across the six practices. The cost analysis will also be supplemented with previous AHRQ-funded research on the costs of electronic health record implementation, allowing estimates of the full costs of PCMH transformation and accreditation for practices with and without pre-existing electronic health record infrastructure.

## Anticipated Benefits

This project will provide information on the costs of PCMH transformation, certification, and recertification in practices of various sizes, with varying infrastructure, operating within a large, highly integrated health care system.

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## Challenges to Estimating Costs

Interview data were used to identify cost elements for past activities; therefore, the potential for recall bias is one of the challenges of analyzing these data. In addition, study results will have limited generalizability. Costs estimated may not be comparable to those experienced by primary care practices that are not part of a highly integrated ambulatory care system, are pursuing a certification other than that provided by the NCQA, or are focusing on different activities in pursuit of PCMH certification (HTPN's transformation activities were focused on NCQA standard 1, access and communication).

## Results

Analyses for this project are still in progress. Cost estimates will be available once the study is complete.

## Relevant Information

Methods used for this study were derived from:

Fleming NS, Culler SD, McCorkle R, et al. The financial and nonfinancial costs of implementing electronic health records in primary care practices. *Health Aff* (Millwood) 2011;30(3):481–9.

## Publications

Publications from this study are forthcoming.