



AHRQ Estimating the Costs of Supporting Primary Care Practice Transformation Grants

Patient-Centered Medical Home Cost of Sustaining and Transforming

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Overview of Estimating Costs Grant

Thirty-two rural, urban, and suburban practices in southeastern Pennsylvania achieved recognition from the National Committee for Quality Assurance (NCQA) as patient-centered medical homes (PCMHs) as the result of a statewide demonstration program beginning in 2008. Some of the practices have achieved NCQA recognition twice.

The demonstration program (2008–2011) brought together family medicine, general internal medicine, and pediatric practices to implement the chronic care model. The demonstration program involved three collaborative learning sessions per year in which practices shared their experiences and outcomes and planned new ways to structure patient care. Progress on outcome measures and successful efforts at practice change were shared with other participating practices so that all could identify efforts that precipitated change. Major insurers in the State offered ongoing payment incentives to practices that could demonstrate NCQA recognition. The 11 practices participating in this study implemented a variety of transformation activities, including implementing electronic medical records, expanding patient access and continuity, implementing health coaches and expanded roles for medical assistants, improving care coordination and care transitions, expanded management of “high-risk” patients, and increased shared decisionmaking.

The two specific aims of this project are:

Aim 1: To estimate the costs of transforming a small primary care practice into a PCMH.

Aim 2: To create a structured tool to provide practices with a way to estimate the costs of transforming into a PCMH.

Costs estimated include costs attributable to both achieving and maintaining NCQA PCMH designation, including staff salaries, benefits, training, time spent completing the application for PCMH recognition, costs associated with patient care, space, and equipment. Incentive payments received by practices were also factored in to calculate net costs.

Health Care Setting

This project focused on 11 small rural, urban, and suburban primary care practices that achieved NCQA PCMH recognition. All practices had 10 or fewer providers.

Location

Southeastern Pennsylvania

Costs Estimated

Direct and indirect costs of achieving NCQA recognition and costs of maintaining recognition, including:

- Staff salaries
- Training costs
- Costs associated with patient care
- Space and equipment



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Data and Methods

Data collected from each practice include an inventory of the transformation activities of each practice enrolled in the study, the number of full-time employees (FTEs) by provider type, number of patients, and number of visits annually for the period of 2008 to 2011.

“Cost is a barrier for smaller practices that do not have the economies of scale or capital to invest in practice transformation. However, smaller practices serve a large number of patients in the primary care setting. Thus, determining the cost of practice transformation, and allowing small practices to estimate these costs up front, are critical steps in diffusing the PCMH model.”

- George Paul Valko, MD, Principal Investigator

Costs were classified according to whether they were one-time or ongoing and whether they could be associated with NCQA recognition or not. The net cost of achieving NCQA recognition was computed for each participating practice based on the results of this exercise. Net costs were estimated by subtracting one-time and ongoing financial incentives available to practices for primary care transformation.

A structured cost tool was developed to allow practices to estimate and report the cost of practice transformation. Documentation and a 30-minute

Webinar were also developed to support the use of the tool. The tool was then refined based on a focus group with three participating practices before it was shared with all the participating practices. The data collected were used to calculate the net cost of primary care transformation by subtracting incentives received from costs incurred. Costs of transformation per full-time employee were also calculated for each practice.

Anticipated Benefits

This project will provide small primary care practices with a range of costs that they can use when assessing the possibility of practice transformation. It will also provide a structured tool that can be used by practices to estimate the costs of transformation.

Challenges to Estimating Costs

Opportunity costs were not calculated as part of this study. Retrospective data collection from participating practices was a challenge because of administrative staff turnover and competing time commitments. To address this challenge, the study team allowed ample time for practices to estimate their costs and offered flexible options for data collection, such as accepting a range of costs when exact dollar costs were not available.

Results

Cost estimates were successfully calculated for six participating practices. Three of 11 practices successfully completed the tool. Three additional practices led by nurse practitioners could not complete the tool, but provided the research team with sufficient data to perform a higher-level cost estimate. The six practices incurred a range of direct and indirect costs. Costs were partly offset by incentives received.

Detailed results will be included in forthcoming publications.

Publications

Publications from this study are forthcoming.

