

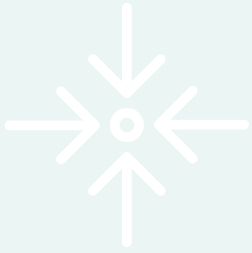
EXECUTIVE SUMMARY

Primary Care Spending:

High Stakes, Low Investment

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Executive Summary

U.S. INVESTMENT IN PRIMARY CARE SPENDING FELL BETWEEN 2017 AND 2019

A growing body of literature shows that health systems with a foundation of robust, comprehensive primary care achieve better, more equitable health outcomes and are also less costly.¹ As a result, leaders domestically and internationally are increasingly interested in understanding the primary care orientation of their systems. Primary care spending, defined as the percentage of total healthcare spending accounted for by primary care, is a proxy for such orientation.

For the second consecutive year, the Primary Care Collaborative (PCC) is reporting primary care spending nationally and at the state level. The 2020 PCC Evidence Report, *Primary Care Spending: High Stakes, Low Investment*, finds that in 2019 primary care spending across commercial payers was only 4.67% of total national commercial healthcare spending, *falling* from 4.88% in 2017.

The data source for this study is FAIR Health's FH NPIC® (National Private Insurance Claims) repository, described in detail below. This nationally representative database of private healthcare claims information—the largest in the country—contains claim records for persons across all ages who are enrolled in private insurance plans (both fully insured and self-insured), including employer-sponsored, individual and Medicare Advantage plans, in all 50 states. Primary care *spending* is defined as the percentage of total annual spending on medical care services and prescription drugs that is spent on primary care services, using both narrow and broad definitions of primary care clinicians and services. Spending was calculated based on estimated “allowed amounts” (payor-contracted rates), which includes patient cost-sharing (e.g., copays).

A 50-state analysis of primary care spending was conducted using FAIR Health's FH NPIC database. State estimates were statistically adjusted to account for differences in age distributions across states.

The analysis finds primary care spending percentage across states varied from a low of 3.14% in Kentucky to a high of 9.48% in Michigan in 2019 using a narrow definition of primary care providers and services, and from a low of 5.57% in Pennsylvania to a high of 16.64% in Mississippi using a broad definition of primary care spending. Both the narrow and broad definitions vary by a *factor of 3* between the highest- and lowest-spending states. The negative trend in primary care spending over a three-year period (2017 to 2019) was observed across 39 states when using a narrow definition of primary care clinicians and services and across 30 states when using a broad measure.

The *negative trend* in primary care spending percentage from 2017 to 2019 found in the 2020 PCC Evidence Report was also observed in other studies measuring slightly different time periods and using modestly different measures of primary care spend (see table 3.1 in the full report). An analysis by Reiff, et al., using the Health Care Cost Institute's sample of commercial claims from employer-sponsored plans, found primary care spending was 4.35% of total healthcare spending in 2017 and had declined from 2013.² Another estimate of primary care spending using survey data across all payers found primary care spending was 5.4% of total national healthcare expenditures in 2016, down from 6.5% in 2002.³

Non-Claims Spending Not Included in Analysis

Could the absence of non-claims spending, such as spending associated with value-based payment models, account for the findings across this analysis and the other reports cited? It cannot be ruled out. Most surveys of the share of payments flowing through alternative payment models by payer or by share of provider revenue find the share is lowest in the commercially insured population but highest in the Medicare Advantage population.⁴ The 2019 *Learning and Action Network APM Measurement Effort* found 35.8% of total U.S. healthcare payments were “tied to alternative payment models (APMs)” in 2018. The share

of payments in APMs in commercial lines of business was lower at 30.1% and higher in Medicare Advantage at 53.6%.⁴ A survey conducted by the American Medical Association found that in 2018, an average of 70.3% of practice revenue came from fee-for-service and 29.7% came from alternative payment methods, a share that has been relatively unchanged since 2012.⁵

At the state level, Oregon includes both claims and non-claims spending on primary care in its measure of primary care spending and nevertheless found a decline in primary care spending as a share of total spending between 2017 and 2018.⁶ Other available state-level data are reviewed in the full report.

Is primary care's share of total spending declining because spending on other sectors of health care is growing or declining more rapidly? The analysis presented in this 2020 Evidence Report finds that, between 2017 and 2019, primary care per capita healthcare spending *declined* by 2.48%, while primary care spending per capita fell even more, declining by 3.78%. We believe 2018 is an “outlier” year because it included an especially bad flu season, resulting in an increase in the number of patients seeking care at urgent care centers, emergency rooms, and other venues of care excluded from the primary care construct—including patients who do not have primary care providers to treat them.

Other Measures of Primary Care Orientation Not Increasing

The 2020 PCC Evidence Report also reviews recently published evidence on primary care utilization and the primary care workforce, two other proxies for a health system's primary care orientation. Specifically, primary care visits are flat or declining, and the percentage of adults reporting a “usual source of care” has stalled despite the coverage expansions enacted in the Affordable Care Act.⁷ The number of primary care physicians per capita declined from 2005 to 2015.⁸ Significant recent growth in the nurse practitioner workforce practicing in primary care, however, appears to be somewhat offsetting the decline in the primary care physician workforce.⁹

In short, there is little evidence that the U.S. healthcare system is reorienting to primary care when reviewing trends in at least two of three key areas, namely primary care spending and utilization.¹⁰ Many factors are likely contributing to these trends, including the role of changing benefit design in commercial health plans as well as the slow pace in transitioning provider payment from fee-for-service to value-based, particularly in the commercially insured population under age 65.

WHY PRIMARY CARE SPENDING MATTERS: AN ASSOCIATION WITH BETTER OUTCOMES

Why should we be concerned that primary care spending appears to be declining? A growing body of evidence measuring health system performance and population health outcomes finds that greater primary care orientation, using a range of measures (i.e., workforce, spending, utilization) and levels of analysis (i.e., geographic, system, subpopulation, health plan) is associated with better value: enhanced population health outcomes, greater equity, and more efficient use of healthcare resources.⁸

The 2020 PCC Evidence Report results are consistent with the previously documented association in the 2019 PCC Evidence Report between higher primary care spending at the state level and fewer emergency department visits, hospitalizations, and preventable hospitalizations.¹¹ Analysis of the FAIR Health dataset reveals that states with higher investment in primary care as a percentage of total healthcare spending also tended to have lower emergency department visit rates, hospitalization rates, and potentially avoidable hospitalization rates. While our analysis does not attempt to control for other important factors influencing these measures, this relationship makes intuitive sense. One of the scatterplots follows (p. 4), with the full set of scatterplots found in the body of the report.

Data and Methods: Measuring Primary Care Spending Percentage

The 2019 PCC Evidence Report, *Investing in Primary Care: A State-Level Analysis*, released in July 2019, provided 29 states with first-ever information about primary care spending across public and private payers. The 2020 PCC Evidence Report is based on an analysis of FAIR Health's database of private healthcare claims—the largest in the nation—that currently contains more than 31 billion claim records for medical and dental services from 2002 to the present. FAIR Health data are submitted by over 60 national and regional payors and third-party administrators who insure or process claims for private insurance plans (both fully insured and self-insured plans), across all 50 states. These plans include employer-sponsored, individual, small and large group and Medicare Advantage plans. The 2020 analysis breaks new ground with the inclusion of state-level, age-adjusted, timely estimates of primary care spending for 50 states to enable cross-state comparisons and inform health care stakeholders.

A description of FAIR Health and its datasets can be found in Appendix A, and a detailed explanation of methods is included in the full report. Primary care spending is measured using definitions derived from those described in Bailit, et al. in a 2017 report for the Milbank Memorial Fund.¹² The narrow definition captures spending related to services provided by primary care physicians, specifically family and internal medicine, pediatrics, and general practice physicians, in offices and outpatient settings. The broad definition includes all of the clinicians, services, and settings in the narrow definition of primary care and adds other members of the primary care clinical team, including services provided by nurse practitioners (NPs), physician assistants (PAs), geriatricians, adolescent medicine specialists, and gynecologists.¹³

STATE PRIMARY CARE SPENDING VARIED WIDELY IN 2019

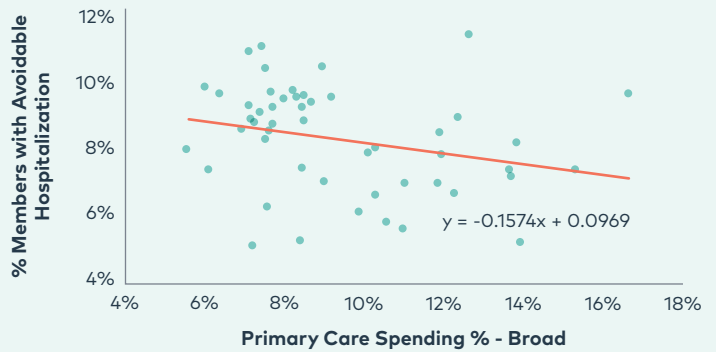
Significant variation in primary care spending across states in 2019 was found. The 10 states with the highest primary care spending percentage and the 10 states with the lowest percentages are listed in Table 1.1 and Table 1.2 in the full report. These results have been age-adjusted; unadjusted data are also reported in Appendix B. The highest percentages were found in Michigan (9.48%) for narrow and Mississippi (16.64%) for broad, while the lowest were found in Kentucky (3.14%) for narrow and Pennsylvania (5.57%) for broad. Eight out of 10 states with the highest primary care spending are in this category if either a narrow or broad measure is used. Only about half of the states identified in the bottom 10 with respect to a narrow definition of primary care spend remain in this category under a broad definition.

Majority of States Experienced a Drop in Primary Care Spending, 2017-2019

The decline in primary care spending percentage between 2017 and 2019 was observed across most states using both a narrow and a broad definition of primary care spending percentage. Thirty-nine states saw a drop in primary care spending when measured using a narrow definition, and 30 states saw a drop using a broader definition. The drop in primary care spending broadly defined is especially striking in light of evidence indicating significant growth in the nurse practitioner workforce practicing in primary care settings.¹³

FIGURE 1.0

Percentage of Members with Avoidable Hospitalization versus Primary Care Spending Percentage (Broad) at the State Level



Data Source Differences and Limitations

Caution should be used in comparing the state spending percentages and rankings included in the 2020 PCC Evidence Report with the 2019 PCC Evidence Report, as the data sources are quite different and have different strengths and limitations. There are also differences in methods between the two reports. Caution should also be used in comparing the primary care spending percentages generated from FAIR Health commercial claims with those from state All-Payer Claims Databases (APCDs). For example, state APCDs generally have only small samples of self-insured employer plan claims, which account for a significant share of the commercially insured market (61% of employer-sponsored enrollment in 2019¹⁴), whereas self-insured plans are well-represented in FAIR Health's commercial claims data. State APCDs may also include Medicare fee-for-service, Medicaid, and other public health plan claims, which are not included in FAIR Health's commercial claims repository. (FAIR Health holds a separate collection of Medicare fee-for-service claims, but those claims were not used for this report.)

IMPLICATIONS AND RECOMMENDATIONS

The 2020 PCC Evidence Report provides new and timely data for state and national leaders as they reflect on their healthcare spending priorities against their goals for improving population health, addressing health inequities, and keeping costs in check. The COVID-19 pandemic has resulted in more than 230,000 deaths in the U.S. and higher morbidity and mortality for our country's racial and ethnic minorities, and it has put more financial pressure on state budgets, including healthcare budgets.^{15,16} The pandemic raises the urgency for policymakers to improve health outcomes through new care-delivery models that are supported by effective, sustainable payment policies.

The declining trend found in primary care's already low share of national healthcare spending from 2017 to 2019, compounded by the widespread vulnerabilities in primary care access caused by the 2020 pandemic, are a clarion call to action for healthcare leaders, purchasers, payers, and policymakers. To reorient the U.S. healthcare system toward primary care will involve greater investment in primary care, channeled through alternative payment models, and changes to existing benefit designs. Such policies can be leveraged to support team-based, technology-enabled, comprehensive care models that encourage timely, high-value primary care and prevention.


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About the Primary Care Collaborative

Founded in 2006, the Primary Care Collaborative (PCC) is a not-for-profit multi-stakeholder membership organization dedicated to advancing an effective and efficient health system built on a strong foundation of primary care and the patient-centered medical home. Representing a broad group of public and private organizations, the PCC's mission is to unify and engage diverse stakeholders in promoting policies and sharing best practices that support growth of high-performing primary care and achieve the "Quadruple Aim": better care, better health, lower costs, and greater joy for clinicians and staff in delivery of care.

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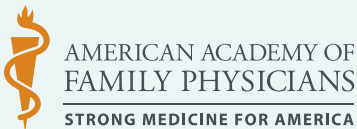
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