ISSUE BRIEF

PRIMARY CARE SPENDING RELATIVE TO TOTAL MEDICAL AND OUTPATIENT PRESCRIPTION DRUG SPENDING IN MARYLAND'S PRIVATELY INSURED MARKETS, 2018

Maryland Health Care Commission

CENTER FOR ANALYSIS AND INFORMATION SYSTEMS

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ISSUE BRIEF

Primary Care Spending Relative to Total Medical and Outpatient Prescription Drug Spending in Maryland's Privately Insured Markets, 2018

Takeaways

- The primary care spending percentage in Maryland was less than half the average spending on primary care in over 20 industrialized nations (14%).
  - Major contributors to this finding include increased health care costs, reduced primary care service utilization, and a reduction in primary care workforce.

- In Maryland, primary care alone constituted about 4.6% of all medical and outpatient prescription drug spending in 2018, which was comparable to national benchmark percentages of 6.0 (4.6 - 7.6) for PPO plans and 6.5 (3.1 - 9.2) for HMO plans.

- MHCC commenced tracking of primary care spending in the "*Spending and Use among Maryland's Privately Insured,* 2018" (PI Report). Key findings from the report are as follows:
  - Privately insured enrollees ages 0-18 years are more likely to receive primary care services (12%) compared to other age groups (less than 6%).
  - In 2018, PPO and EPO plans spent 4.2% and 4.6%, respectively on primary care while HMO plans spent 5%. These data were comparable to national benchmark percentages reported by the Milbank Memorial Fund.

- Recommendations for increased spending on primary care include:
  - Increased reporting and tracking of primary care spending
  - Enactment of legislation that will promote utilization of primary care services
  - Mandating fully insured health plans to set higher measurable targets for primary care spending

The Issue

The United States spends about **50%** less on primary care services out of total medical spend compared to other industrialized nations, and this is one of the reasons why the cost-effectiveness of US health systems continues to lag.[1, 2] Recent studies have shown that relatively high investment in primary care spending is associated with more top-quality care and a reduction in the overall cost of care.[3] A dozen states track primary care spending in the private market and in Medicaid. Among this group, several states have set floors on primary care spending on private health insurance contracts issued in their states.[4] Key factors relating to the availability and utilization of primary care services are described below.

- **Increased Cost**: The rising cost of care has impacted access to primary care health services. In 2007, only 15% of the US population were enrolled in high deductible health plans (HDHP) compared to **43%** in 2017.[5] The number of visits to primary care physicians are lowest for members enrolled in high deductible plans compared to enrollees with low or no deductible health plans.[5]

- **Reduced Utilization:** The number of individuals with a primary care provider **dropped** by two percent between 2002 and 2015.[6] For adults who consult with primary care providers, the proportion of individuals that received all high-priority recommended preventive services remains low. Studies based on the 2015 Medical Expenditure Panel Survey (MEPS) reported that only **eight percent** of US adults ages 35 and older received all high-priority recommended preventive services.[7] Visits for primary care services among the privately insured declined from 170 to 134 per 100 member-years between 2008 and 2016.[6] During the same study period, the proportion of adults who did not visit a primary care provider increased by 8%. Conversely, visits to urgent care facilities increased by 47% while specialists' visits remained stable.[8]

- **Reduction in Primary Care Workforce**: Even though the demand for primary care is projected to grow with time, the number of primary care physicians dropped from 47 per 100,000 in 2005 to 41 per 100,000 in 2015.[3] Studies show that the number of primary care physician jobs grew by **eight percent** from 2005 to 2015; however, the number of jobs for specialist physicians grew about six times that of primary care physicians. Career dissatisfaction or burnout has also been

[1] Koller, C.F., Khullar, D. (2017) Primary Care Spending Rate — A Lever for Encouraging Investment in Primary Care, NEJM, 377:1709-1711. Retrieved 05/28/2020 from: https://www.nejm.org/doi/10.1056/NEJMp1709538
[2] OECD, (2019). Deriving Preliminary Estimates of Primary Care Spending under the SHA 2011 Framework. P.10. Retrieved 06/03/2020 from: https://www.oecd.org/health/health-systems/Preliminary-Estimates-of-Primary-Care-Spending-under-SHA-2011-Framework.pdf
[3] Basu, S., Berkowitz, S.A., Phillips, R.L., et al (2019). Association of Primary Care Physician Supply With Population Mortality in the United States, 2005-2015. JAMA Intern Med. 2019;179(4):506-514. Retrieved 05/28/2020 from: https://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2724393
[4] Primary Care Collaborative (2020). State Leadership Highlights. Retrieved 07/07/2020 from: https://www.pcpcc.org/sites/default/files/resources/PCC%20Fact%20Sheet_State%20PC%20Investment%20%28Mar%202020%29.pdf
[5] Editorial (2019). Prioritizing Primary Care in the USA. Vol 394, (10195), p.273. Retrieved 06/04/2020 from: https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(19)31678-2/fulltext
[6] Levine,D.M., Linder, J.A., Landon, B.E. (2019). Characteristics of Americans With Primary Care and Changes Over Time, 2002-2015. JAMA Intern Med. 2020;180(3):463-466. doi:10.1001/jamainternmed.2019.6282
[7] Borsky, A., Zhan, C., Miller, T. (2018). Few Americans Receive All High-Priority, Appropriate Clinical Preventive Services. Health Affairs, Vol 37 (6). Retrieved 05/28/2020 from: https://www.healthaffairs.org/doi/10.1377/hlthaff.2017.1248
[8] Ganguli, I., Shi, Z., Orav, J., Rao, A., Ray, K.N. (2020). Declining Use of Primary Care Among Commercially Insured Adults in the United States, 2008–2016. Annals of Internal Medicine from: https://www.acpjournals.org/doi/10.7326/M19-1834

reported in recent studies which showed that **approximately 25% of internists and 46% of pediatricians** stated that they would opt for an alternative specialty if they could choose again.[9]

Policy Implications: Most states recognize the importance of enhancing primary care service delivery and have instituted different strategies to promote primary care. Many states have established multi-payer patient-centered medical home programs. Some states and payers have sought to elevate primary care by creating programs that incentivize primary care and specialists to work together; the best known of these models is the Centers for Medicare and Medicaid Services' Accountable Care Organizations (ACOs). In Maryland, the Total Cost of Care Model aims to engage hospitals and health care practitioners in a broad program to improve quality and slow the growth of total costs. Regardless of a program's scope – narrowly focused on primary care or encompassing the entire health care economy - increasing use of primary care is seen as a driver to slow the growth of total health care spending. Many advocates contend that a more significant investment in primary care will pay for itself over time by reducing the use of expensive specialty and inpatient hospital care, thereby lowering overall health spending.[10]

A pivotal strategy for promoting primary care delivery is measuring and reporting primary care costs and services. Reporting primary care spending encourages clear financial accountability for insurers, the public, or members of an integrated health care delivery system. It also creates a learning opportunity for all stakeholders and provides an evidence base for making critical policy decisions. Until recently, little or no information is available on tracking primary care spending in the privately insured market in Maryland.

MHCC's Initiative

A priority of the Maryland Health Care Commission (MHCC) is to support advanced primary care and practice transformation to improve coordinated care delivery and health outcomes. For the first time, MHCC commenced the tracking of primary care costs in its annual report titled "*Spending and Use among Maryland's Privately Insured, 2018.*"[11] In this report, primary care spending is defined as the cost (including provider reimbursement and insured member out of pocket amounts) of preventive services, including wellness programs, and the treatment of common illnesses rendered by physicians in an office or an outpatient facility setting. As noted in the report, spending was reported on a per capita basis for 2018. This report also showed primary care spending as a percentage of total per capita expenditure (all medical outpatient facility services and professional services, and prescription drugs). Results from the report found that the proportion of spending on primary care in Maryland was comparable to other states in the nation. Further details of the report and Milbank Memorial Fund definitions of primary care are included in the appendix.

[9] Primary Care Collaborative. Spending for Primary Care. Retrieved 06/04/2020 from: https://www.pcpcc.org/resource/spending-primary-care-fact-sheet

[10] Phillips, R.L., Bazemore, A.W. (2010). Primary Care And Why It Matters For U.S. Health System Reform. Health Affairs vol. 29, no. 5. Retrieved 07/01/2020 from: https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2010.0020

[11] Spending and Use among Maryland's Privately Fully-insured 2018, MHCC, May 2020. . Retrieved 07/01/2020 from https://mhcc.maryland.gov/mhcc/pages/plr/plr_healthmd/documents/cais_spending_use_among_MD_privately_insured_2018.pdf

Findings:

Primary care spending constituted about 4.6% of all medical and outpatient prescription drug spending in 2018. This was comparable to national benchmark percentages reported by the Milbank Memorial Fund.

- Annual primary care spending for all products combined increased substantially from 2017 to 2018, by about 6%, compared to a 2.5% increase from 2016 to 2017. (Exhibit 3).
- There was a steady decline in spending on primary care in the individual market from 3.8% in 2016 to 3.4% in 2018 (Exhibit 1). This may be attributed to the exit of relatively healthier enrollees who are more likely to use mostly primary care services.
- The percent annual spending on primary care was highest (12.4%) for ages 0-18 years compared to any other age group (Exhibit 2). Compared to adults, the higher primary care spending percent observed among this age group could be attributed to more primary care services required for brief recurrent illnesses and preventive care. Adults seek care mostly when there are significant morbidity or risk factors of concern.
- There were no remarkable differences in primary care spending by gender.
- The average annual expenditure for primary care services increased modestly from the 19 to 64-year age group throughout the study period. However, the percentage of primary care spending compared to overall spending declined with age, from 12.4% to 3.0% (Exhibit 2).
- When total spending was broken down by product, in 2018 PPO and EPO plans spent 4.2% and 4.6% respectively on primary care while HMO plans spent 5% on primary care (Exhibit 3). These data are comparable to national benchmark percentages reported by the Milbank Memorial Fund.

Exhibit 1: Annual Primary Care Spending vs. Total Medical and Outpatient Prescription Drug Spending by Market: 2016 – 2018

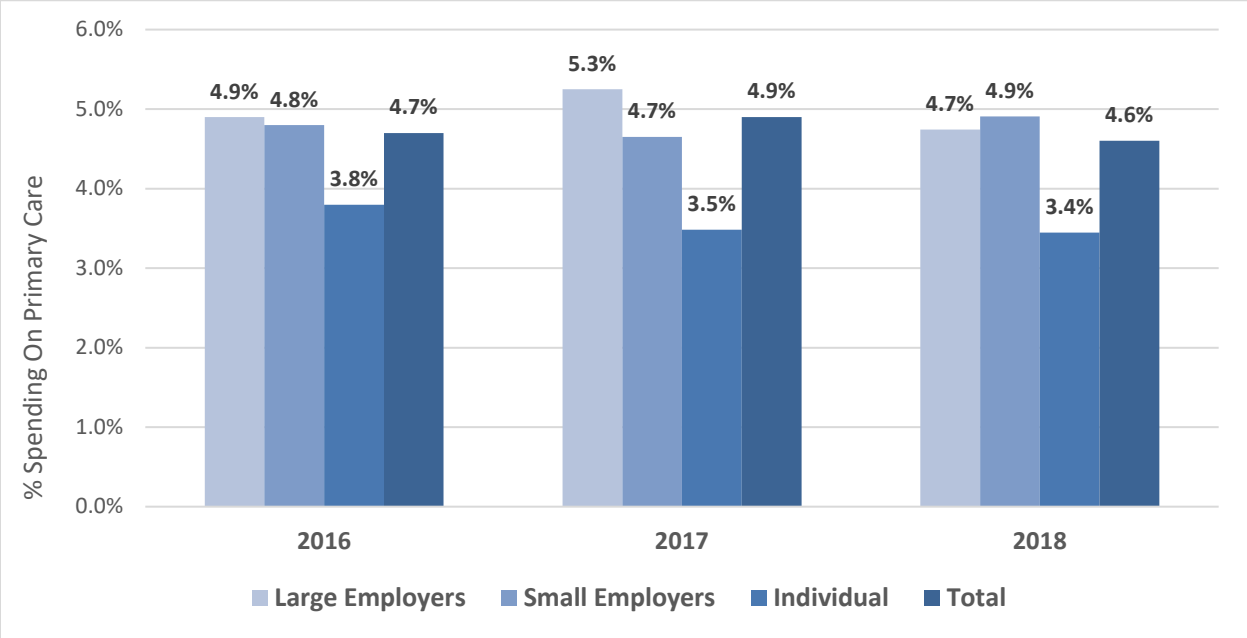

Exhibit 2: Annual Primary Care Spending vs. Total Medical and Outpatient Prescription Drug Spending by Age Group, 2018

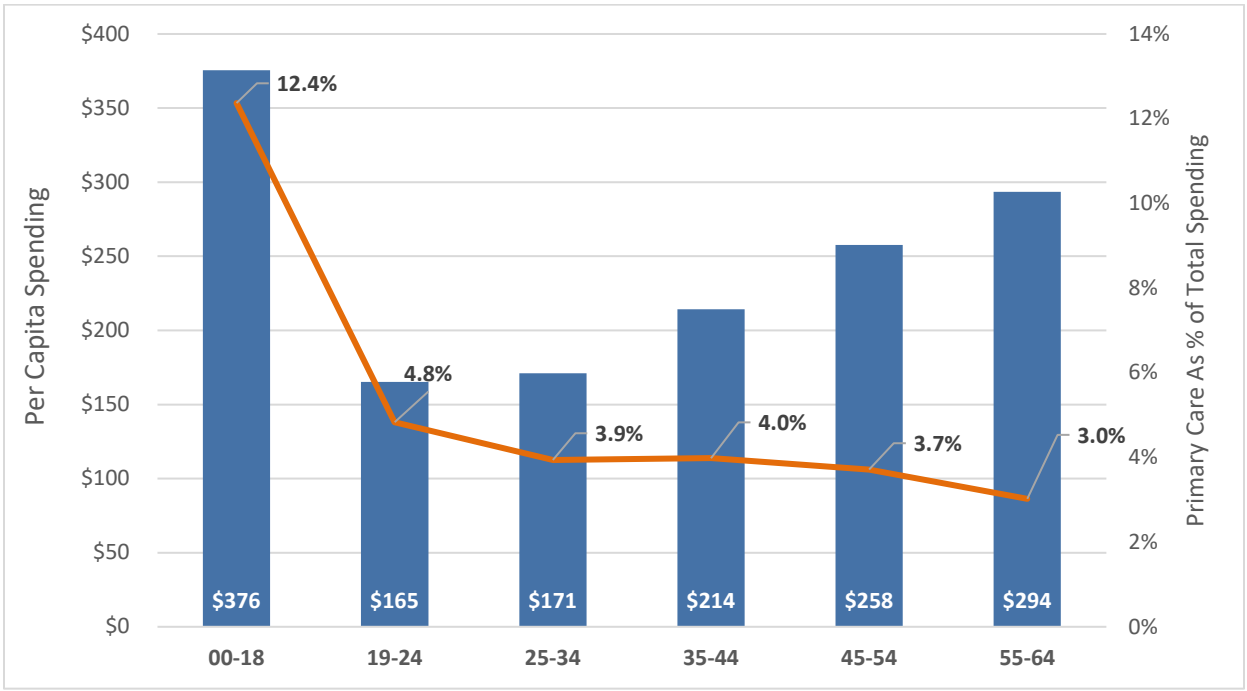

Exhibit 3: : Annual Primary Care Spending vs. Total Medical and Outpatient Prescription Drug Spending by Product: 2016 – 2018

Product	2016	2017	2018
Annual Primary Care Spending Per Member			
PPO	$258	$262	$276
EPO	$208	$230	$199
HMO	$233	$238	$261
POS	$258	$244	$257
All Products	**$240**	**$246**	**$261**
Annual Primary Care Spending as a % of Total Spending			
PPO	4.5%	5.0%	4.2%
EPO	4.4%	5.2%	4.6%
HMO	5.1%	5.0%	5.0%
POS	4.4%	4.4%	4.9%
All Products	**4.7%**	**4.9%**	**4.6%**

Experiences from other States that Track Primary Care Spending:

- **Connecticut**: The average percentage of the expenditure on primary care in Connecticut from 2014 to 2018 was 5%. This result was also comparable to the Maryland rate of primary care investment. In January 2020, Connecticut's governor issued an executive order which directs the Office of Health Strategy to establish statewide healthcare cost growth and quality benchmarks and a primary care spending target of 10% by calendar year 2025.[12]
- **Delaware:** In 2018, Delaware passed legislation that requires insurers to participate in the state's Primary Care Reform Collaborative. In 2019, this Collaborative issued a recommendation for a target of 12% investment in primary care.[4]
- **Oregon:** In 2017, Oregon passed legislation that sets a minimum primary care threshold for all commercial and public payers of at least 12% of total medical expenditures by 2023.
- **Rhode Island**: In Rhode Island, the state measured and increased its primary care spending from 5.7% in 2008 to 9.1% in 2012.[13]. In June 2020, Rhode Island updated its health care affordability standards. Under the new regulations, insurance carriers are required to spend at least 10.7% of total health expenditures on primary care.[14]
- **Maine**: The percentage of spending on primary care in Maine was 5.8 - 6.8% in 2018. While a floor on primary care spending has not been set, in June 2019, Maine passed legislation titled "An Act to Establish Transparency in Primary Health Care Spending," requiring insurers to report primary care expenditures to the Maine Health Data Organization, and for the Maine Quality Forum to use these data to report annually to the Department of Health and Human Services and the Legislature.[15]

[12] Milbank Memorial Fund, (2020). How Connecticut is Moving to Control Health Care Cost. Retrieved 05/28/2020 from: https://www.milbank.org/2020/03/how-connecticut-is-moving-to-control-health-care-costs/
[13] PCC Primary Care Investment. Retrieved 05/26/2020 from: https://www.pcpcc.org/primary-care-investment
[14] Rhode Islands Updated Affordability Standards Support Behavioral Health and Alternative Payment Models (2020). Milbank Memorial Fund. Retrieved 07102020 from: https://www.milbank.org/news/rhode-islands-updated-affordability-standards-to-support-behavioral-health-and-alternative-payment-models/
[15] Main Quality Forum. Measuring to Improve (2020). Retrieved 05/28/2020 from: https://www.pcpcc.org/sites/default/files/resources/MQF%20Primary%20Care%20Spending%20Report__Jan%202020.pdf

- **Washington**: The percentage of spending on primary care in Washington was 4.4% in 2018. This rate was comparable to Maryland. In 2019, Washington appropriated $110,000 for the fiscal year 2020 to determine annual primary care medical expenditures using the state's all-payer claims database and other existing data.[16]

Other states that have passed legislation to support or increase the proportion of spending allocated to primary care include Colorado, Vermont, West Virginia, Hawaii, and Massachusetts.[4]

Conclusions: Primary care spending as a percent of total spending in Maryland is comparable to other states that have tried to measure spending. All the state rates fell well behind the average expenditure on primary care (14%) in over 20 countries of the Organization for Economic Cooperation and Development (OECD).[17] In order to increase primary care services, policymakers must support the development of advanced primary care programs, report and track primary care spending, enact legislation to promote the utilization of primary care services, and set minimal levels of primary care spending for fully insured products. Increasing spending on primary care is possible. Rhode Island saw spending climb from 2008 to 2012 after the Insurance Commissioner ordered insurance carriers to elevate funding. Recent legislation sets even stronger targets: insurance carriers are required to spend 10.7% of premiums on primary care services. Providing incentives to specialize in primary care could also increase the attitude of medical students towards specializing in primary care[18].

Appendix

Primary Care Definitions and Measurement Methodology: Since the definitions and measurement of primary care providers and services are not yet standardized across institutions, MHCC deferred to methodologies used in a report published by the Milbank Memorial Fund in 2017.[19] The Milbank report classified four types of primary care definitions, "A through D", based on provider specialty only and provider specialty plus services rendered. MHCC evaluated the Milbank methodologies and selected the narrow PCP-B definition as that most closely aligned with how primary care in Maryland is conceptualized. Qualified providers were identified using industry-standard taxonomy codes. All data used in this report were retrieved from Maryland's Medical Care Database (MCDB), which contains health insurance enrollment, health care claims, and encounter data for Maryland residents.

Inclusion Criteria: Primary care providers include physicians in family medicine, general internal medicine, pediatrics, nurse practitioners, physician assistants, nurse non-practitioners, and homeopathic specialties. Services categorized as primary care include immunization, health risk assessment, office visits for new or established patients, telephone or home visits, smoking cessation, or health screening. Point

[16]Office of Financial Management, (2019). Primary Care Expenditures. Summary of Current Primary Care Expenditures and Investment in Washington. Retrieved 05/28/2020 from: https://www.ofm.wa.gov/sites/default/files/public/publications/PrimaryCareExpendituresReport.pdf
[17] Primary Care. Retrieved 05/27/2020 from: https://www.oecd.org/health/health-systems/primary-care.htm
[18] Beverly E.A., Reynolds S., Balbo, J.T. et. Al (2014). Changing first-year medical students' attitudes toward primary care. Family Medicine 46(9):707-12. Retrieved 1/24/2020 from: https://pubmed.ncbi.nlm.nih.gov/25275282/
19. Bailit, M.H., Friedberg, M.W., Houy, M.L. (2017). Standardizing the Measurement of Commercial Health Plan Primary Care Spending. (Retrieved 01/27/2020: https://www.milbank.org/publications/standardizing-measurement-commercial-health-plan-primary-care-spending/)

of service locations included rural health clinics, primary health clinics, federally qualified health centers, physician offices, and hospital outpatient departments.

Exclusion Criteria: Obstetrics and gynecology, geriatric, and psychiatry specialties were excluded. Claims incurred in emergency rooms and inpatient services were also excluded.

Qualified medical encounters for this analysis include all products (HMO and non-HMO) offered in the individual, small employer, and large employer markets.

Appendix Exhibit 1 - Annual Primary Care Spending vs. Total Medical and Outpatient Prescription Drug Spending: 2016 – 2018

	2016				2017				2018			
	Total	Large Employers	Small Employers	Individual	Total	Large Employers	Small Employers	Individual	Total	Large Employers	Small Employers	Individual
Annual Primary Care Spending Per Member												
Age												
00-18	$344	$351	$328	$317	$354	$361	$340	$314	$376	$382	$367	$329
19-24	$142	$144	$136	$136	$148	$152	$134	$137	$165	$167	$162	$152
25-34	$159	$162	$152	$157	$162	$165	$152	$157	$171	$176	$162	$159
35-44	$199	$205	$183	$188	$202	$211	$179	$186	$214	$224	$189	$190
45-54	$239	$248	$219	$217	$247	$259	$218	$219	$258	$272	$227	$216
55-64	$273	$286	$245	$245	$278	$293	$239	$247	$294	$313	$255	$250
Total	$240	$249	$221	$219	$246	$257	$221	$219	$261	$272	$237	$221
Annual Primary Care Spending as a % of Total Spending												
Age												
00-18	13.1%	13.5%	12.4%	11.3%	13.1%	13.8%	11.6%	10.3%	12.4%	12.6%	12.7%	9.9%
19-24	4.5%	4.6%	4.3%	4.3%	4.8%	5.1%	4.1%	4.0%	4.8%	5.0%	4.8%	4.0%
25-34	4.0%	4.2%	4.3%	3.0%	4.0%	4.3%	4.2%	2.7%	3.9%	4.1%	4.4%	2.8%
35-44	4.1%	4.3%	4.4%	3.2%	4.2%	4.5%	4.2%	2.9%	4.0%	4.1%	4.3%	3.0%
45-54	3.8%	3.8%	3.8%	3.4%	4.0%	4.2%	3.7%	3.2%	3.7%	3.8%	3.8%	3.2%
55-64	3.1%	3.2%	3.1%	3.0%	3.3%	3.5%	3.0%	2.8%	3.0%	3.0%	3.1%	2.9%
Total	4.7%	4.9%	4.8%	3.8%	4.9%	5.3%	4.7%	3.5%	4.6%	4.7%	4.9%	3.4%

Note: (1) Some calculations in the above exhibit might not be exact due to rounding.
(2) The large employer market includes the State of Maryland employees (self-insured non-ERISA) and other self-insured non-ERISA plans.
(3) Results exclude Kaiser health plans.

This issue brief was created by Center for Analysis and Information Systems staff (Kenneth Yeates-Trotman, Shankar Mesta, Oseizame Emasealu and Janet Ennis, Editor). Questions about the report should be directed to Oseizame Emasealu (Email: Oseizame.Emasealu@maryland.gov).

The Maryland Health Care Commission is an independent regulatory commission administratively located within the Maryland Department of Health.

Andrew N. Pollak, MD, Chairman
Ben Steffen, Executive Director
Maryland Health Care Commission, 4160 Patterson Avenue, Baltimore, Maryland 21215
Telephone: 410-764-3570, Fax: 410-358-1236, Web: https://mhcc.maryland.gov/