



Executive Summary

Investing in Primary Care: Lessons from State-Based Efforts

Primarily care is the foundation of any high-performing health care system; decades of evidence show that robust, accessible primary care is the most effective means to keep populations healthier longer. Yet the US lags well behind peer countries in investing in these services. America, on average, spends only about five cents of every health care dollar on primary care, or about one-third of what other high-income countries spend. Not coincidentally, our peers boast longer life expectancy and lower rates of chronic disease — all with lower per capita health care spending.

The COVID-19 pandemic has pushed an already-strained primary care system to the brink. Low compensation for primary care providers (PCPs), amid other challenges, helped create a PCP shortage in California and nationally. Primary care spending has trended downward for several decades. Additional financial strain on PCPs associated with the pandemic means the PCP shortage could worsen, especially in areas that are already underserved, and exactly when primary care is most needed to combat the pandemic and rebuild the nation's health.¹

Recognizing the urgent need to strengthen primary care and the need for collective action to achieve this goal, more than one-third of US states and several of the nation's largest public and private purchasers have prioritized shifting more of the health care dollar to

primary care. They use **three types of mechanisms** and a range of specific tools, often in combination, to achieve this goal:

- ▶ **Transparency.** Measurement and reporting
- ▶ **Contracting.** Shaping formal agreements
- ▶ **Regulatory.** Statutes and regulations

The power of these approaches to shift health care investment rests on the engagement of multiple parties. The work is complex and takes time, yet leading states are showing measurable progress in the midst of multiyear journeys.

California, with its long history of public and private purchaser engagement and alignment, is well poised to take steps to strengthen primary care. While the state does not yet have regulation in place to increase investments in primary care statewide, individual purchasers and payers have enacted a number of transparency and contracting mechanisms. These purchasers and payers — as well as the state — can do more.

About the Primary Care Matters Series

The California Health Care Foundation engaged Freedman HealthCare to develop the accompanying technical report on primary care investment data collection, reporting, and enforcement mechanisms. This is the first in a series of three papers on primary care investment. The full report is available at www.chcf.org/primary-care-matters.

1. Celli Horstman, Corinne Lewis, and Melinda K. Abrams, *Strengthening Primary Health Care: The Importance of Payment Reform*, Commonwealth Fund, December 10, 2021.

In planning for the next phases of work, California should consider lessons from the states profiled in this report, in the following areas:

- 1. Establish a shared vision.** To bridge efforts already occurring, convene stakeholders to create a shared vision for primary care. Multistakeholder workgroups typically include primary care providers as well as representatives of health systems, commercial health plans, Medicaid, the state employee benefits plan, employers, and consumers. Ideally, stakeholders balance each other's perspectives and arrive at a fulcrum all can support. Even without reaching full consensus, a common vision can serve as a useful guidepost. By acting collectively, stakeholders offer providers, payers, and patients clear, aligned expectations for what should be included in the primary care experience and how primary care should be funded.
- 2. Conduct annual measurement and reporting across markets based on a common definition of primary care investment.** After developing a common vision, multi-stakeholder workgroups add detail by arriving at a common definition of primary care investment that can be applied across market segments to support annual measurement and reporting. The Department of Health Care Access and Information is a logical convener for this process as lead on California's Health Care Payments Data Program, the state's all-payer claims database, and the intended home for the proposed Office of Health Care Affordability. Initially, measuring and reporting on primary care investment builds trust, serves as a call to action, and establishes a baseline by which to measure progress. Over time, public reporting can motivate stakeholders to achieve investment goals and also help guide future strategy (e.g., adjusting targets).

- 3. Set investment targets and encourage (or require) all purchasers to commit through contractual requirements.** An investment target provides a clear and transparent goal. It should reflect the true cost of achieving the vision for improved care delivery, including expenses related to additional staff, new technology, and ongoing training and technical assistance. Options include an improvement target, such as increasing the share of total cost that is spent on primary care by one percentage point annually, or an absolute target, such as spending at least 10% of total costs on primary care. Targets can be set by purchasers and/or the state, and they can be voluntary or required and enforced through penalties. California should consider the trade-offs of such approaches and identify clear enforcement mechanisms for the approach it selects.

The ultimate goal of any effort to increase investment in primary care is a more robust primary care system that better serves patients through expanded care teams, integrated behavioral health, and connections to social care — achieving better and more equitable health outcomes for all.

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