



## Investing in Primary Care: Why It Matters for Californians with Commercial Coverage

Primary care has been associated with important benefits, including better health in areas with more primary care physicians, better health among people who receive care from primary care physicians, better quality of care, and lower spending. Given these benefits, this study sought to understand the level of primary care investment in California and how it varies across health plans and provider organizations. This study further analyzed how spending related to quality, patient experience, utilization, and cost performance, suggesting where there might be potential opportunity for improving outcomes and controlling health care spending.

Using health plan data from 2018 for 13.9 million commercially insured adults in California (about 80% of the commercially insured adult population), the first part of this analysis examined variation in the percentage of health care dollars spent on primary care for each type of product — that is, health maintenance organization (HMO), preferred provider organization (PPO), and exclusive provider organization (EPO) — offered by each of eight health plans. Among a total of 14 health plan–product combinations (health plan products), primary care spending as a percentage of total health care spending averaged 7.5% and ranged widely, from a low of 3.5% to a high of 12.7%. After adjustment for population age, gender, and clinical risk score, primary care spending percentages ranged from 4.9% to 11.4%. The average adjusted primary care spending percentage was 7.9% for HMO products, 6.0% for PPO products, and 5.8% for EPO products. While methodological details vary, these rates are in the same range as those found in other states and studies.

Relationships between adjusted primary care spending percentages and measures of clinical performance, utilization, and cost were mixed at the health plan product level. Among the 14 health plan–product combinations, higher primary care spending percentage was associated with better performance for clinical quality and marginally lower acute hospital utilization, but with slightly higher emergency department (ED) utilization and total cost of care.

The second part of the analysis focused on the 8.5 million adults in the data set who were enrolled in HMO products. Commercial HMOs in California are organized around a capitated, delegated model of care. In this payment model, provider organizations (POs) assume responsibility and financial risk for managing the care of their assigned patients. The analysis included 180 POs distributed across the state; among them, primary care spending percentage averaged 7.6%, with a range from 2.8% to 15.4%. The total cost of care on a per-member per-month basis averaged \$365, with a range of \$99 to \$740.

Performance of POs based on quartiles of primary care spending percentage was compared to better understand whether the relationship between primary care spending and performance varied by level of spending. POs in the highest quartile of primary care spending percentage had better performance on clinical quality, patient experience, utilization, and total cost of care. To demonstrate the potential scale of the observed associations between primary care spending percentage and performance, these findings were extrapolated across all of the POs. Specifically,

if performance for POs in the three lower quartiles of primary care spending percentage equaled the average performance of those in the highest quartile, up to 196,000 more members would receive recommended care, 147,000 more members would rate their overall care  $\geq 9$  out of 10, and there would be 25,000 fewer acute hospital stays along with 89,000 fewer ED visits. In total, health care expenditures would be \$2.4 billion lower.

While primary care spending percentage at the health plan product level was not consistently associated with better outcomes, primary care spending percentage at the PO level was consistently and statistically significantly associated with better performance on measures of clinical quality, patient experience, utilization, and cost. This novel examination of primary care spending percentage among POs contributes new evidence supporting the important role of primary care and its relationship to positive quality and cost outcomes. The findings highlight an important opportunity for policymakers, purchasers, health plans, and providers to measure primary care spending percentage and enhance primary care investment, particularly within POs with the lowest primary care spending percentage.

Achieving critical mass for payment and delivery system reform requires multi-payer alignment around health system goals and strategies. In California, there is active interest in coordinating and aligning efforts to measure and report primary care spending percentage, and there is much to learn from work in other states.

Health care policymakers working to strengthen the health care infrastructure, improve patient outcomes, and contain cost growth should recognize that primary care is the foundation for achieving these objectives. As this and other research shows, investing a higher share of spending in primary care can catalyze major advantages to patients and our health care system.

## About the Authors

Dolores Yanagihara, MPH, is vice president of strategic initiatives with **Integrated Healthcare Association**. IHA brings the health care community together to solve industry-wide challenges that stand in the way of high-value care.

Ann Hwang, MD, is a senior consultant with Bailit Health Purchasing, LLC. **Bailit Health** is a health policy consulting firm dedicated to assisting public agencies to achieve improved quality, equity, and affordability of health care programs.

## About the Foundation

The **California Health Care Foundation** is dedicated to advancing meaningful, measurable improvements in the way the health care delivery system provides care to the people of California, particularly those with low incomes and those whose needs are not well served by the status quo. We work to ensure that people have access to the care they need, when they need it, at a price they can afford.

CHCF informs policymakers and industry leaders, invests in ideas and innovations, and connects with changemakers to create a more responsive, patient-centered health care system.

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## Endnotes

1. Barbara Starfield, Leiyu Shi, and James Macinko, "**Contribution of Primary Care to Health Systems and Health**," *Milbank Quarterly* 83, no. 3 (2005): 457–502; Sanjay Basu et al., "**Association of Primary Care Physician Supply with Population Mortality in the United States, 2005–2015**," *JAMA Internal Medicine* 179, no. 4 (2019): 506–514; and Mark W. Friedberg, Peter S. Hussey, and Eric C. Schneider, "**Primary Care: A Critical Review of the Evidence on Quality and Costs of Health Care**," *Health Affairs* 29, no. 5 (2010): 766–772.
2. Michael H. Bailit, Mark W. Friedberg, and Margaret L. Houy, "**Standardizing the Measurement of Commercial Health Plan Primary Care Spending**," Milbank Memorial Fund, July 25, 2017.