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Savings in Medicaid Series

Medical-Home Model Essential to Health Care Reform

Issue Defined

The American Academy of Pediatrics (AAP) defines a patient-centered medical home model as a "continuous, comprehensive, family-centered, compassionate and culturally effective place of health care." In 2007 this concept was further expanded by four major primary care physician groups (AAP, American Academy of Family Physicians, American College of Physicians and American Osteopathic Association). They defined the Patient Centered Medical Home model as an approach that provides comprehensive primary care to children, youth and adults in "a setting that facilitates partnerships between individual patients and their personal physicians and when appropriate, the patient's family."

Background

The home model is gaining traction nationwide as a new model of patient care because it provides for the enhanced quality of care inherent in a more personalized health care experience and also yields dividends throughout the health system. Transitioning to this cost-saving approach requires a fundamental shift in the relationship between patients and primary care providers. Such a shift would be predicated on a higher degree of care coordination, round-the-clock patient access to their physician (and beyond the limitation of an acute care episode) and the identification of key medical and community resources to compliment patient needs. In the long run, the medical home paradigm could enhance overall quality of care, displace expensive care with preventative measures and institute value-based payments to providers – resulting in lower health care costs and higher savings for beneficiaries, insurers and taxpayers.

Adults with a primary care physician have 33 percent lower health care costs and are 19 percent less likely to die from a manageable chronic care condition than those who receive care from a specialist. Improving Medicaid by offering participants access to high performing medical homes is one approach to transforming the delivery system.

Recommendations

State Medicaid programs have strong foundational bases to develop policies that support medical homes. Expanding access to coverage cannot be sustained without attending to quality improvement and cost containment goals. Definitions vary from state to state, but in general a medical home should attend to the multi-faceted needs of patients and provide whole person, comprehensive and coordinated patient-centered care. It should include:

- *A personal physician* - each patient has an ongoing relationship with a personal physician trained to provide first contact, continuous and comprehensive care.
- *A physician directed medical practice* – personal physician leads a team of individuals at the practice level who collectively take responsibility for the ongoing care of patients.

- *Whole person orientation* – personal physician is responsible for providing for all of the patient's health care needs or taking responsibility for appropriately arranging care with other qualified professionals for all stages of life.
- *Care coordinated and/or integrated* across all elements of the complex health care system.
- *Enhanced access to care* is available through systems like open scheduling, expanded hours and new options for communication between patients, the personal physician and practice staff.

Savings Outlook

The interest in advancing medical homes is based on the evidence that doing so will result in improved care for Medicaid beneficiaries and contain costs. Ultimately, however, state Medicaid officials will need to demonstrate these results in their own initiatives.

Among the primary study states, North Carolina has already demonstrated both improvements in patient outcomes and cost. Through a physician-led team approach for case management, the State found significant improvements in cost, utilization and quality. Two major evaluations of the program have estimated savings of $215 million in 2003 and as much as $260 million in 2004. The lessons learned by North Carolina Medicaid and a smaller number of other programs have shown that the provision of good, comprehensive primary care via medical homes has promise in achieving the goals of quality improvement and cost containment.

In addition, a 2004 national study estimated that if all Americans had a medical home, health care costs could drop as much as 5.6 percent, or $67 billion annually.