

The Care for Californians Initiative: Protecting Primary Care Providers for Public Health, Building Resilience and Meeting Public Needs

In addition to the direct human suffering caused by COVID-19, the pandemic has laid bare many of the weaknesses and lack of resilience in the U.S. healthcare system. Primary care is particularly vulnerable given the relatively low compensation to primary care providers and the fact that most independent providers do not have financial reserves that enable them to weather the current crisis. Direct support for primary care providers is critically needed to protect a vital part of front-line care, build resilience, protect against future spikes in health care costs, and prevent failures in care delivery.

The Care for Californians Initiative would help ensure that primary care can emerge from the pandemic better able to ensure our health care system can care for all patients and all conditions, not just those affected by COVID-19. It also helps assure that the health care system has the foundation for being more efficient with lower overall costs in the future. Specifically, the Care for Californians Initiative holds health plans accountable for paying for essential primary care by requiring health plans to pay primary care providers emergency prospective payment mechanisms for 2020 and 2021. These prospective payments would serve as a lifeline to primary care providers and complement fee-for-service payments, including maintaining the requirements on plans to reimburse virtual and telehealth visits at the same rate as in-person services.ⁱ The Initiative would include a reconciliation process ensuring appropriate payments to providers. The Care for Californians Initiative is not only a lifeline, it would establish as establish a process, led by California’s Secretary of Health and Human Services and comprised of a variety of key stakeholders, to devise recommendations for payment models that foster resilience and support primary care as a central element of the movement toward patient-centered care that fosters value.

Without significant support, primary care will change irrevocably and for the worse – leading to failures in care delivery in the near term, likely further consolidation of the health care system, and higher costs for years to come.ⁱⁱ

- Independent primary care providers operate on **thin margins** with little or no financial reserves. These providers are seeing **revenue drop** by as much as 50, 75, and even 80 percent. In the absence of assistance many primary care practices will close or be acquired by others:
 - Almost half of primary care providers report they are unsure if they have enough reserves to stay open for four weeks and the same number report having already let go staff.
 - Without intervention, the future for many primary care providers is bleak. Many physicians are likely to either retire early or agree to be acquired by hospitals or large for-profit organizations. Such consolidation often leads to efforts to maximize revenues through higher prices and “churning” fee-for-service reimbursement without any improvements in quality.

Primary care matters – improving health, as well as the quality and affordability of care.

- Primary care anchored health care delivery saves money:
 - In national models promoting integration, accountable care organizations anchored in primary care rather than hospitals achieved higher quality and greater savings. Health care systems that devote more resources to primary care deliver equal or better care and spend less overall.

Robust primary care keeps families and communities healthier both during and post COVID-19:

- To relax the “shelter at home” restrictions and return to normal life, community-based primary care physicians will need to be the front-line testers and treaters of mild COVID-19 cases to prevent future outbreaks and relieve the strain on hospitals;
- Recent drops in childhood vaccinations could lead to a new spike in unnecessary illness without the ready source of preventive care provided in primary care settings.

Support provided for primary care so far does not meet the needs.

- California’s policies requiring health plans to reimburse virtual and telehealth services at same rate as in-person services have been important but are far from enough. And, most of the federal assistance provided thus far has been through limited forms of **loans, not stimulus that offset large losses.**ⁱⁱⁱ Future federal stimulus funding is uncertain and support to-date has been focused on the needs of hospitals and large provider organizations.

State Action Requiring Temporary Reform of Payments to Primary Care by Health Plans is Essential to Prevent Closures, Builds Resilience for the Future and Reflects Planned Costs of Insurers

- While primary care spending is a relatively small portion of total health care costs – with estimates ranging from 6 percent to 8 percent of health care costs – that spending promotes better care and can prevent unnecessary high specialty and hospital costs. Unlike primary care systems and providers supported by population-based or capitated payments, those getting fee-for-service payments do not have the built-in resilience from prospective payments. The Care for Californians Initiative protects those independent primary care providers that are still paid based on fee-for-service.
- Health plans are seeing large drops in the anticipated costs of care and California’s success at “flattening the curve” has helped prevent a huge spike in COVID-19 costs. However, the pandemic is not going to disappear soon. This Initiative provides an emergency solution that centers on meeting public health needs, building resilience in primary care, fostering the movement to promoting value over the long-term, and continuing to keep health plans fiscally sound as they continue to face uncertainty.
- The projected costs of the Initiative are affordable, comprising about \$1.5 billion in prospective payments to primary care providers in 2020 and \$1 billion in 2021, all of which insurers had already planned to spend on primary care.^{iv}

The Care for Californians Initiative:^v

- **Holds health plans accountable for paying for primary care:** Health plans would be required for 2020 and 2021 to pay primary care providers that would have otherwise been paid on a fee-for-service basis partially on a prospective basis. The proposal provides for primary care providers to receive a combination of emergency prospective payments and fee-for-service billing during 2020 and 2021, with the emergency payments decreasing in 2021. At the same time, the state would establish value- based payment requirements to restructure payments for primary care for the long-term.

- For 2020, to the extent health plans have not converted their primary care providers to capitated payment, health plans would be required to pay to contracted primary care providers a monthly emergency prospective payment, retroactive to March 2020 that is the greater of either: (1) equal to 70 percent of their monthly average based on the total fee-for-service payments per member paid in 2019, or (2) calculated as 70 percent of an the average primary care capitation payment for providers that can be responsible for attributed patients.
- For 2021, to the extent health plans have not converted their primary care providers to capitated payment, they would be required to pay contracted primary care providers a monthly emergency prospective payment that is the greater of either: (1) equal to 50 percent of their monthly average based on the total fee-for-service payments per member paid in 2019, or (2) calculated as 50 percent of an average primary care per member capitation payment for providers that can be responsible for attributed patients. The decrease in the monthly emergency prospective payment from 2020 is based on the expectation that practices will adjust to the “new normal” of the pandemic and both expand their use of telehealth and of appropriate in-person services paid for on a fee-for-service basis.
- Health plans who delegate risk to risk bearing organizations shall ensure that such risk bearing organizations who contract with primary care providers on a fee-for-service basis provide such primary care providers the prospective payment.
- This proposal encourages Self-Insured plans and ERISA plans to provide emergency prospective payments consistent with the above description but does not mandate them to do so.
- To the extent that any plan or insurer maintains a program that is financially and functionally equivalent to the emergency prospective payment program, as described above, that program would be deemed to meet the requirement of complying with the provisions of this Initiative.
- **Establishes a reconciliation process to ensure that the emergency prospective payments do not result in undue compensation:** The reconciliation process would adjust payments to primary care providers to ensure there is not undue compensation considering the combined effect of primary care providers collecting on a fee-for-service basis and the emergency prospective payment. The reconciliation process would use 2019 payments as the baseline, making appropriate adjustments downward or upward to the 2021 emergency prospective payment amount as appropriate taking into account a change in the number and acuity of patients and adjusting for changes to the practice (e.g., addition of providers, types of services provided). After necessary adjustments for 2021, collections that significantly exceed the 2019 baseline^{vi}, when combining the fee-for-service and emergency prospective payments, may be subject to recoupment.^{vii}
- **Supports movement to virtual care through the likely duration of the COVID-19 pandemic.** Maintain the requirement that virtual and telehealth visits, including telephonic visits, be reimbursed by health plans and their delegated risk bearing organizations through at least the end of 2021 on par with in-person services, and revisit that reimbursement requirement as part of the longer-term review of payments.
- **Ensures a successful transition to resilient and value-promoting payment models.** The proposal is focused on short-term immediate interventions to protect the viability of independent primary care while also moving towards restructuring of payments that promotes resilience and better care over the long-term. By December 2020, the Secretary of Health and Human Services shall convene a

working group of relevant stakeholders – including primary care practitioners, health plans, consumer advocates, public and private purchasers – to develop a pathway forward to transition primary care providers to payment models that assure resilience, address total cost of care and support effective integration of whole person care and behavioral health. This group would build off of existing payment models and best practices and existing value-based contracts may be grandfathered into the recommended solution. A report of this group would be required by May 2021. The working group shall make industry-wide recommendations and inform the need for regulatory or legislative action that may be needed beyond 2021.

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ⁱ Requirements for payment under this proposal are only for primary care providers. To the extent there are practices that include primary care and non-primary care providers, the payments would not apply to non-primary care providers. Health plans and their delegated entities would be required to implement this program for any primary care providers to meet the identified minimum contracted panel size for that health plans (e.g., five or ten attributed lives).

ⁱⁱ For purposes of this Initiative, primary care encompasses a range of practitioners, including physician-based care provided by a “**primary care physician**”, as defined in [Section 14254 of the Welfare and Institutions Code](#), Geriatricians, Adolescent Medicine, and others. These clinicians represent about one-third of California’s physicians. Primary care also encompasses non-physician primary care delivered by Primary Care Nurse Practitioners and Physician Assistants.

ⁱⁱⁱ Some physicians received assistance in the form of now suspended advances from Medicare with repayment due in full starting this summer. The SBA Economic Injury Disaster Loans was designed to allow borrowing up to \$2 million but have been capped at \$15,000. The SBA Paycheck Protection Program depends on who a practice banks with, not their actual level of need, and provides help for only two months of certain expenses. Some health plans are providing “advance payments” that are small interest free loans.

^{iv} Given the range of primary care costs being from 6 to 8 percent of total health care costs; the 2020 costs to health plans for implementing this program would be from 3.5 to 4.7 percent of premium (based on the 70% prospective payment amount multiplied by the primary care cost, discounted in 2020 to not take effect until March); and in 2021, the costs would be from 3 to 4 percent. These costs, however, are not “new” or unplanned costs for health plans, instead they are meant to provide a “return to normal” for primary care expenditures that have been disrupted by the COVID-19 pandemic. They reflect planned costs based on health plans’ experience in 2019. Total estimated emergency prospective payments are based on average non-Kaiser commercial premiums and rough estimates of non-capitated premiums across insured consumers in California.

^v Additional issues that would be clarified in the detailed description of this Initiative include:

- The definition of “independent” primary care. The intent of this Initiative is to provide support for those primary care providers that are not part of entities owned by publicly held companies, academic medical centers or hospital-based delivery systems.
- Rules for attribution of patients to primary care providers, particularly for PPO patients, need to be defined so that health plans are not responsible for making emergency prospective payments to multiple providers based on one patient being attributed multiple times.

^{vii} For purposes of defining the baseline and need for adjustments to prospective payments or recoupment, there would need to be a reasonable range (e.g. 105% of 2019 compensation) before any adjustment is made. Recoupment or reducing of payment would only occur if payment was over 105%. There is no provision in this proposal that would provide additional payments to providers beyond the emergency prospective payment rates outlined in the proposal for providers. Requirements for repayment under this proposal are only for primary care providers to the extent where there are practices that include primary care and non-primary care providers. The payments would not apply to non-primary care providers.