

Health Care Cost Transparency Board: Primary Care Expenditure Ratio (PCE)

Senate Health & Long-Term Care Committee

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Patient health suffers when primary care is stressed

Primary care quality, equity, and access remain poor.

- ▶ Washington Medicaid and commercial plans perform in the bottom 25% on most preventive HEDIS measures, including access to primary well-child visits and cancer screening.
- ▶ 23% of adults in Washington do not have a usual source of care.
- ▶ Health inequities in primary care persist. American Indian/Alaska Native, Black, and Hispanic Washingtonians are using fewer preventive care visits.

Payment decisions impact access to primary care

▶ Provider reimbursement

- ▶ Primary care services are reimbursed at lower rates than most specialty services.
- ▶ Primary care spending is just 6% of total health expenditures in Washington — well under the Legislature's 12% goal.

▶ Payment system

- ▶ Fee-for-service payment fragments the delivery system by reimbursing individual clinicians for specific services rather than teams for delivering whole-person care.

▶ Underinvestment discourages innovation and drives consolidation

- ▶ Independent primary care practices often lack the infrastructure to support prospective, team-based, population-based payment arrangements.

Legislative directive

1. The Legislature established a goal of spending 12% of total health care expenditures on primary care. SB 5589 (2022)
2. The Legislature directed the Health Care Cost Transparency Board (Cost Board) to:
 - ▶ Define and measure primary care spending
 - ▶ Recommend ways to increase primary care expenditures to 12% of total health care expenditures
3. To support this directive, the Cost Board formed the Advisory Committee on Primary Care

Ways to reach 12% primary care expenditure ratio target

$$\text{Primary Care Expenditure Ratio} = \frac{\text{Primary care spend}}{\text{Total spend}}$$

"Spend" = **price** x **utilization** = \$

1. Increase primary care spend without changing total spend
 - Primary care spend increases
 - Total spend stays the same by reducing spending on other services
2. Decrease total spend without changing primary care spend
 - Primary care spend stays the same
 - Total spend decreases

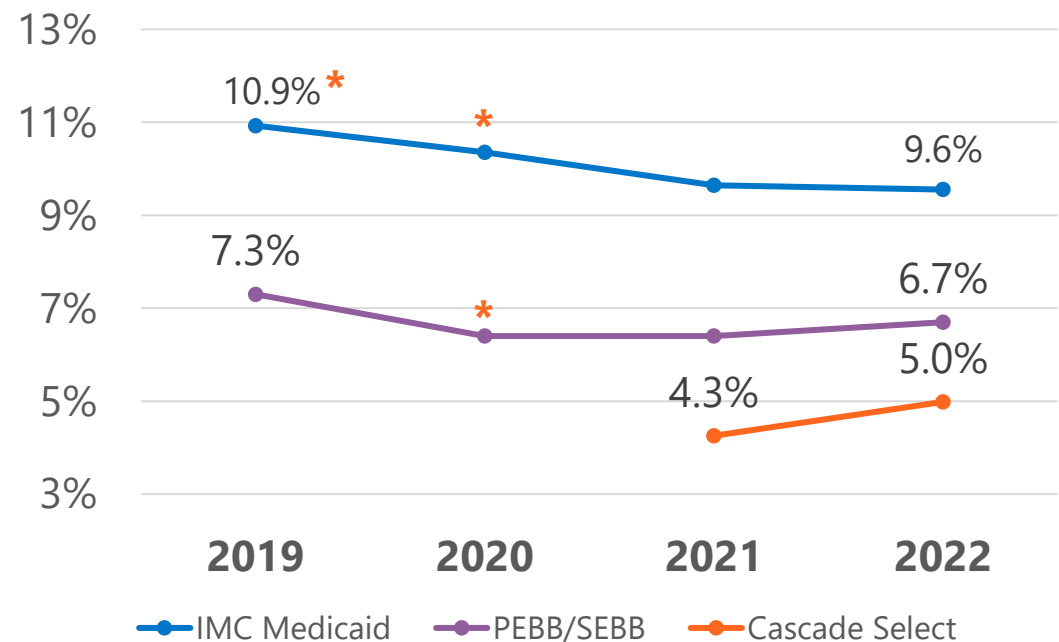
Measuring primary care spending

Primary care expenditure ratio trends

- ▶ The downward trend may be a result of:
 - ▶ Rising cost of other care types.
 - ▶ Decrease in primary care utilization during the pandemic.
 - ▶ Other factors.
- ▶ In Medicaid, the sharper downward trend may be related to increased enrollment during the public health emergency.

* Points marked with an orange star are based on incomplete data and should be interpreted with caution.

Primary care expenditure ratio by business line
2019-2022



Washington made a new primary care spending definition in 2024

Claims-based component

- Place of Service code, and
- Practitioner type, and
- Service code

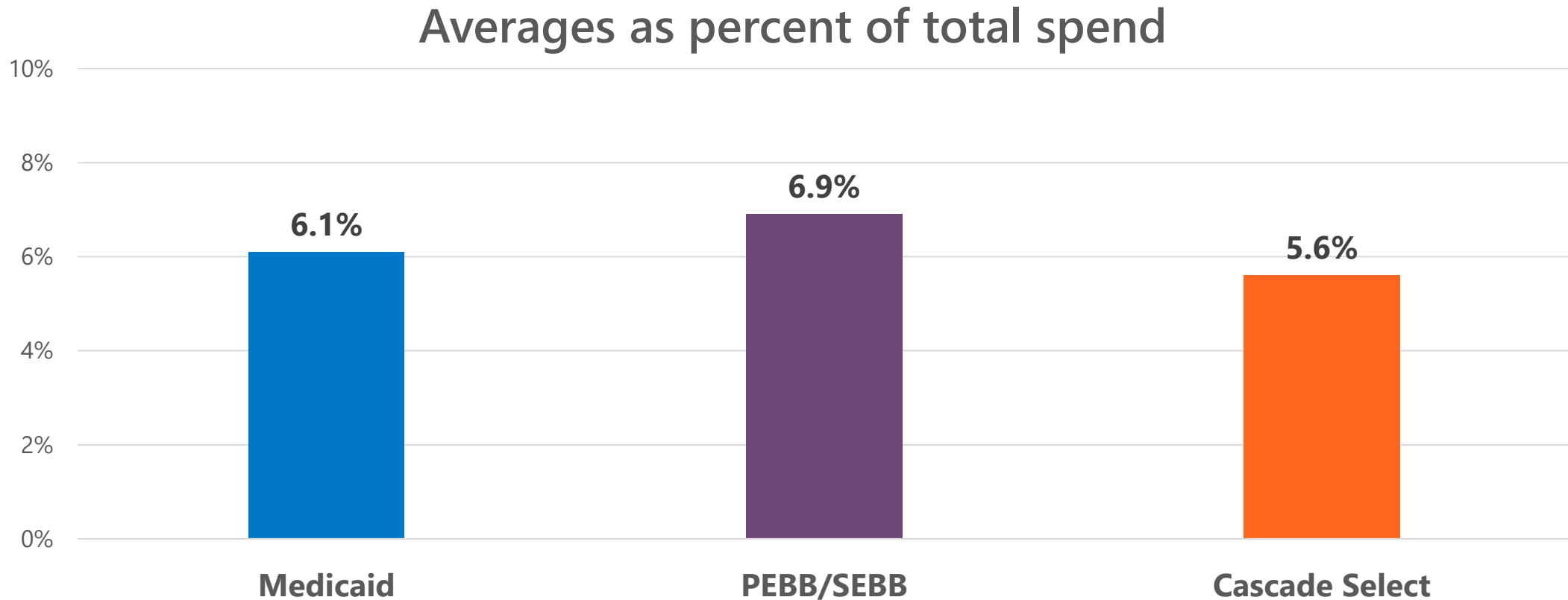


Non-claims-based component

- Capitated or salaried expenditures
- Payments for non-billable services (e.g., care coordination)
- Health IT and workforce investments
- Incentives (bonuses) for quality performance or shared savings

PCE data was collected with the new definition for 2023 data. The definition is most like OFM's "narrow" primary care spending.

Primary care expenditure ratio by sector, 2023



Cost Board recommendations

Cost Board recommendations

- ▶ **Set a target rate of primary care expenditure ratio increases**
Increase primary care expenditures as a percentage of total health care spending by **one percentage point annually** until Washington achieves a primary care expenditure ratio of 12%.
- ▶ **Increase Medicaid reimbursement**
Increase Medicaid reimbursement for primary care to no less than 100% of Medicare by 2028.

Cost Board endorsements

- ▶ **Multi-payer alignment policy** – support for the Multi-payer Collaborative’s alignment efforts
- ▶ **Patient engagement policy** – payer and purchaser education and incentives to promote utilization of primary care and preventative services
- ▶ **Workforce development** – prioritize funding for state primary care workforce initiatives as collaboratively identified through the Health Workforce Council
- ▶ Identify primary care expenditure targets that are based on **per capita expenditures** instead of an aggregate ratio of 12% total health expenditures
- ▶ Promote use of **alternative payment models**

Other work that supports primary care

- ▶ State investments in **Graduate Medical Education (GME)** support our primary care physician workforce
- ▶ **Primary Care Transformation Initiative** aligns payers system-wide to support primary care
 - ▶ Align payment models and quality goals
- ▶ **1115 Waiver (Medicaid Transformation Project)**
 - ▶ Health-related social needs
 - ▶ Carceral transitions



Thank you!

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