WISCONSIN ACADEMY OF
FAMILY PHYSICIANS
STRONG MEDICINE FOR WISCONSIN

WAFP Patient-Centered Medical Home
Medicaid Payment Proposal

Overview:
With the state facing a looming budget crisis, it's vital to the state's future financial health to examine and implement innovative new policies for Wisconsin's Medical Assistance program that meet the following objectives: 1.) Save significant taxpayer dollars; and 2.) Increase access to quality primary, preventative care.

The Patient-Centered Medical Home (PCMH) concept is a proven healthcare delivery model that has the potential to save Wisconsin's Medical Assistance program millions of dollars as it has done in other states. Equally important, the PCMH would create a mechanism to increase access to vital primary care services and attract primary care physicians to Wisconsin.

PCMH Definition:
A Patient-Centered Medical Home (PCMH) is defined by criteria set forth in the February 2007 Joint Principles of a Patient-Centered Medical Home published by the American Academy of Family Physicians, the American College of Physicians, The American Academy of Pediatrics, and The American Osteopathic Association (see attached).

How does a practice qualify for the program?
A practice qualifies for increased payments as described in the pilot payment model below when it is recognized as a PCMH as determined by the National Committee on Quality Assurance (NCQA), an independent national not-for-profit organization dedicated to improving health care quality. Depending on how a practice is structured and functions, it can be recognized by NCQA as a Level 3 (highest), Level 2, or Level 1 PCMH, or not as a PCMH at all.

How does the payment system work in the program?
A practice that is recognized as a PCMH qualifies for an increased primary care payment fee structure for fee for service (FFS) face-to-face care PLUS a per patient per month care management fee (PMPM) for each Medicaid patient that chooses the practice as his/her medical home. The following table details these increased payments:

Level of Recognition	FFS primary care fee schedule increase	PMPM care management fee
No recognition	0%	$0 PMPM
Level 1 PCMH recognition	2%	$5 PMPM
Level 2 PCMH recognition	4%	$10 PMPM
Level 3 PCMH recognition	6%	$15 PMPM

There are currently practices in Wisconsin that are in various stages of exploring and/or seeking recognition as a PCMH and should be prepared to become early participant sites once the program is adopted by the State. Once the payment model is in place, other sites will follow suit. The PCMH model is proven to reduce costs and improve quality in healthcare. This payment model aligns incentives in the Medicaid program with changes in healthcare delivery that will lead to improved outcomes and decreased costs.

How do we know there will be savings?
Numerous states have shown savings based on PCMH implementation. In North Carolina, with a Medicaid population of approximately 700,000 recipients, analyzed results have shown over $240,000,000 of savings PER YEAR in each of the last 4 years (audited by Mercer). This is approximately $350 of savings per Medicaid patient per year. Assuming 25% of the current 913,000 Medicaid recipients in Wisconsin are cared for in a PCMH, this translates into savings of nearly $80,000,000 per year, with a net savings of almost $46,000,000 per year after the increased PCMH care management fee payments are accounted for.

How much will it cost?
No increased payments would be made until there are practices that become PCMH recognized, at which time the cost will be determined by the number of Medicaid patients who choose PCMH recognized practices as their medical home. Depending on the number of Medicaid patients choosing a PCMH and assuming a mid-range $12 PMPM per participant paid to the PCMH practice, the cost could range from $6,500,000 (5% of Medicaid patients) to $65,700,000 (50% of Medicaid patients).

However, in either scenario, there should be no net cost to the state or administering health plan since the ultimate savings created by the PCMH should greatly exceed increased costs. The anticipated NET savings in these cases would be $9,300,000 and $93,400,000 respectively. Various studies have shown that savings will likely be realized within two years of implementation (see attached forecast).

How do we hold the program accountable?
The PCMH pilot will be reviewed in 36 months to ensure that quality standards are being met and projected savings are being realized.

Where do the savings go?
Of the gross savings realized by the program, a portion will go to the PCMH practices in the form of the Care Management Fee and increased fee schedule as compensation for their added non-face-to-face work that the PCMH model entails for the PCP practice. The remainder will go to the State or the MCO that carries the risk for the population, depending on how the State structures their MCO contracts.

Patient-Centered Medical Home - Medicaid Projects Costs & Savings

North Carolina Experience

Medicaid Participants	Monthly Savings per Participant	Annual Savings per Participant	Average Annual Savings 2003 - 2006
700,000	$29.05	$348.57	$244,000,000

Wisconsin Projections

Medicaid Participants in PCMH	Percentage of Total 913,000 Participants in PCMH	Monthly Savings per Participant	Annual Savings per Participant	Annual Savings	Monthly Cost per Participant (PMPM)	Projected PMPM Annual Cost	Net Annual Savings
45,650	5%	$29.05	$348.57	$15,912,286	$12.00	$6,573,600	$9,338,686
91,300	10%	$29.05	$348.57	$31,824,571	$12.00	$13,147,200	$18,677,371
228,250	25%	$29.05	$348.57	$79,561,429	$12.00	$32,868,000	$46,693,429
456,500	50%	$29.05	$348.57	$159,122,857	$12.00	$65,736,000	$93,386,857

913,000 Total current Medicaid participants