Statement for the Record
Senate Budget Committee Hearing: “How Primary Care Improves Health Care Efficiency”
March 6, 2024

The Honorable Sheldon Whitehouse
Chairman
Senate Committee on the Budget
U.S. Senate
Washington, DC 20515

The Honorable Chuck Grassley
Ranking Member
Senate Committee on the Budget
U.S. Senate
Washington, DC 20515

Dear Chairman Whitehouse, Ranking Member Grassley, and Members of the Committee:

Arnold Ventures appreciates the opportunity to submit this statement for the record regarding the committee’s hearing, “How Primary Care Improves Health Care Efficiency.”

Arnold Ventures is a philanthropy dedicated to investing in evidence-based policy solutions that maximize opportunity and minimize injustice. Our work on provider payment reform aims to reorient the health care system toward delivering higher quality, less costly care that improves health outcomes. A primary focus is accelerating the adoption of population-based, patient-focused payment models, such as accountable care organizations (ACOs) and capitated payments for primary care, which give providers greater flexibility to deliver appropriate care for patients and improve health outcomes and efficiency.

To that end, we appreciate the Committee’s interest in bolstering primary care through payment reform. In what follows, we discuss the key challenges with our current fee-for-service (FFS) payment system, which often results in unaffordable, low-quality care for patients and is particularly hostile to primary care, and we outline opportunities for congressional action to create a more efficient health care system that better serves patients.

Primary Care is the Foundation of a High-Performing, Efficient Health Care System
Primary care plays a foundational role in an efficient, high-quality health care system. Robust primary care is important for managing population health and overall health care costs. Studies find that better continuity in primary care reduces mortality, health care expenditures, and hospitalizations.\(^1\)\(^2\) Despite the evidence that primary care is critical for supporting population health and containing downstream health care spending, our primary care system remains under-resourced.\(^3\)


The Status Quo FFS Payment System Undervalues Primary Care and Does Not Drive Efficiency

There are several flaws with FFS reimbursement that impede the delivery of high-value care and are particularly problematic for primary care. First, because FFS reimburses providers based on the number and type of services they provide, it incentivizes primary care clinicians to focus on patient visit volume and fails to adequately reimburse them for other kinds of services that are important for maintaining health and delivering high-quality care such as coordinating with other providers and engaging patients to manage chronic conditions.

Second, payment in FFS is not always well aligned with the value of services, meaning reimbursement levels do not always reflect the true time and resources needed to deliver a service. The value of services is based on recommendations to the Centers for Medicare and Medicaid Services (CMS) from the American Medical Association/Specialty Society Relative Value Scale Update Committee (RUC), an expert panel with substantial influence on value determinations and, subsequently, physician payment. Structural flaws with the RUC, including inherent conflicts of interest and underrepresentation of primary care clinicians among members and a reliance on survey data from medical societies, undermine the accuracy of its recommendations and have led to overvaluation of certain specialty services and undervaluation of primary care services in the Medicare fee schedule. This imbalance is evident in the compensation differences between primary care and many specialties. In 2021, for example, median compensation for radiology ($482,000) was 83 percent higher than that for primary care ($264,000), and median compensation for nonsurgical, procedural specialties was 71 percent higher than median compensation for primary care. The fee schedule imbalance also drives unnecessary, costly care that can harm patients clinically and financially as it incentivizes clinicians to deliver more high-margin services.

Third, the Medicare fee schedule has historically valued primary care services inaccurately and is not structured to support an evolving, comprehensive primary care system. In recent years, CMS has recognized the misvaluation of and underinvestment in primary care and has taken steps to realign the Medicare fee schedule to compensate primary care providers more accurately. For example, beginning this year, CMS implemented additional payments to compensate primary care providers for the time and intensity associated with caring for patients with long-term, complex health needs with the creation of the G2211 add-on code. CMS also recently increased reimbursements for evaluation and management services. Congress should support and build on these important reforms made by CMS and lead the way in addressing the more fundamental issues driving misvaluation of primary care services.

Payment Reform is Essential for Strengthening Primary Care and Driving System-wide Efficiency

In a landmark 2021 report on implementing high-quality primary care, the National Academy for Science Engineering and Medicine highlighted the shortcomings of FFS and recommended that a hybrid capitated, per-patient per-month payment, rather than FFS, be the default for primary care. A hybrid capitated payment would better position primary care providers to deliver more comprehensive, personalized, and

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8 CMS. Calendar Year (CY) 2022 Medicare Physician Fee Schedule Final Rule. November 2021.
equitable care. The flexibility provided by hybrid capitated payment could also enable appropriate use of technologies like telehealth and support more efficient team-based staffing models that reflect today’s primary care workforce.

CMS has signaled interest in incorporating hybrid capitated payment for primary care providers in Medicare’s ACO program. This proposal could improve quality and care coordination and has support from a diverse set of stakeholders. While CMS can make targeted changes to primary care payment within select programs, congressional action is needed to shift primary care to a hybrid capitated payment model more broadly. Widespread change across Medicare is necessary to ensure providers have uniform access to flexible payments and aligned incentives to drive efficiency, rather than piecemeal reimbursement based on the patient and corresponding Medicare program.

Recommendations for Congressional Action to Strengthen Primary Care

Congress can lead the way in bringing greater efficiency to our health care system by focusing on reforms to the Medicare fee schedule. We urge Congress to contemplate the following legislative reforms:

- **Implement a hybrid capitated payment model for primary care.** This would enable predictable, prospective payments to primary care providers and give them greater flexibility to deliver the services that improve efficiency and are essential to keeping patients healthy such as preventive care and chronic disease management.

- **Rebalance the Medicare Physician Fee Schedule so that payments better reflect the value of services.** The current specialty bias in the fee schedule, which leads to overpayment for procedural services provided by specialists and underpayment of cognitive services often provided by primary care clinicians, is a result of the current approach.

- **Improve and address structural flaws with the process for valuing services.** Experts have recommended reforms including shifting to a more comprehensive, data-based system for determining code valuations; developing a process to independently validate value determinations; and establishing an expert advisory panel within CMS to provide recommendations on improving valuation processes and ensure independence and transparency.

We appreciate the committee’s interest in strengthening primary care to improve patient outcomes and bring greater value and efficiency to our health care system. Please contact Erica Socker at esocker@arnoldventures.org or Mark Miller, Ph.D., Arnold Ventures’ Executive Vice President of Health Care, at mmiller@arnoldventures.org with any questions.

Erica Socker, Ph.D.
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10 Mark Del Monte et al. The Commonwealth Fund. **Paying Differently for Primary Care for Better Health and Greater Equity.** Sept. 12, 2022.
12 Patient-Centered Primary Care Collaborative. **Advanced Primary Care: A Key Contributor to Successful ACOs.** 2018.
13 NASEM. **Implementing High-Quality Primary Care: Rebuilding the Foundation of Health Care.** 2021.
14 Robert A. Berenson. **RE: Comment on NPRM Calendar Year 2023 Payment Policies Under the Physician Fee Schedule and Other Changes to Part B Payment Policies, Medicare Shared Savings Requirements, etc.** Sept 2, 2022.
15 NASEM. **Implementing High-Quality Primary Care: Rebuilding the Foundation of Health Care.** 2021.
16 Maura Calsyn and Madeline Twomey. **Rethinking the RUC: Reforming How Medicare Pays for Doctors’ Services.** July 2018.