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# Laying the Foundation

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## Health System Reform in New York State and the Primary Care Imperative

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### Executive Summary

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*The views expressed here are solely those of the authors.*

# Laying the Foundation: *The Primary Care*

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## Executive Summary

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New York State has embarked on a substantial effort to restructure its health care system as a result of rapidly escalating health care expenditures, especially with respect to Medicaid expenditures for institutional health care. But it is impossible to alter these high cost health expenditures without strengthening and expanding the primary care foundation on which New York's health system rests.

### The Primary Care Imperative

Several features make primary care effective, and these features can be embodied in a range of service delivery models such as private group practices and hospital and freestanding clinic services. Health centers and hospital clinics represent particularly important sources of primary health care for populations at risk for medical underservice.

Extensive evidence on the impact of primary health care shows that regardless of how its effect is measured, more and better primary care results in more and better health outcomes, reduced health disparities, and reduced expenditures for avoidable institutional care. Extensive research also shows that health care safety net providers, especially health centers, are able to improve health outcomes, not only for individual patients but also for the communities they serve, in terms of lower infant mortality, lower rates of chronic conditions, especially among minority patients, and greater use of preventive services.

Important examples of primary health care reform to benefit medically underserved communities can be found in Dallas, Texas (a restructured, hospital based primary care delivery system) and Denver, Colorado (a partnership between a public health system and affiliated community health centers). These models suggest that New York's hospitals and health centers, school health clinics, home health centers, community mental health centers, and other community based services, could achieve similar results — without new facility construction, and by emphasizing applied development of delivery networks.

### New York State's Health Reform Effort: A Missing Focus on Primary Health Care

New York State's substantial and multi-dimensional health reform effort includes establishment of the Commission on Health Care Facilities in the 21st Century, investment in the development of health information technology, renewal and restructuring of the state's Medicaid 1115 demonstration, and the creation of the New York Charitable Assets Foundation. But none of these initiatives directly addresses primary care reform as a specific activity, and this omission carries significant implications. Without a deliberately designed primary care reform agenda, the state's quest for a solution to the health care cost crisis is likely to yield insufficient results.

# Imperative in New York Health Reform

## Key Primary Care Challenges Exist in New York

Several challenges impede efforts to improve primary care in New York without deliberate planning and investment.

*A significantly uninsured population.* The state faces significant health insurance coverage and access problems, which are concentrated among the state's low income residents. The state's uninsured population is growing, fueled in part by growth in the low income population, as well as by the high cost of employer-sponsored and individually purchased health insurance. In addition, the level of coverage is likely eroding as costs increase.

*Heavy reliance on Medicaid but under-investment in primary health care.* New York relies heavily on Medicaid to cover lower income persons in relation to other states, but its institutional expenditures are among the highest in the nation. Indeed, New York leads the nation with respect to institutional Medicaid expenditures while at the same time seriously under-spending on primary care, whether furnished in free-standing clinics such as health centers, hospital outpatient clinical settings, or private clinical practice settings.

The state's under-investment in primary care crosses both office-based and clinical settings. As is the case generally, the state relies heavily on what the Institute of Medicine has termed the "core health care safety net" consisting of clinics that by law or mission serve large numbers of low income uninsured and publicly insured patients. Together these freestanding clinics (known as Diagnostic and Treatment Centers (D&TCs) in New York State) and hospital-based outpatient clinics account for millions of visits annually by the state's most vulnerable residents. Yet despite a tradition of support for these providers, their financial base is eroding, both because Medicaid payment rates have stagnated and because the state's indigent care pool is unable to compensate for this erosion. Payment statistics indicate that the indigent care pool pays hospital-based clinics only about 40 to 50 cents for every dollar of free care, while pool funding allocated to D&TCs represents only about 20 cents for every dollar of care furnished. Currently, the Greater New York Hospital Association estimates that hospitals lose \$1.2 billion annually because of low payment rates for outpatient clinical and emergency care services.

*Health and health care disparities.* Racial, ethnic, and socio-economic disparities in health and health care represent a significant problem in New York. The state's minority and low income populations exhibit the same disparities in health status observed nationally, and their access to health care is similarly compromised in terms of both timing and quality. Health care disparities reveal themselves in three important ways relevant to state health reform: the use of emergency departments for conditions that could be managed both timely and efficiently in an ambulatory setting, high rates of hospitalization for "ambulatory care sensitive conditions" that also could be effectively and efficiently managed through ambulatory care; and the high number of state residents without a regular source of health care. Low income patients in New York rely heavily on emergency departments for conditions that indisputably require medical care but that could be treated in lower cost settings and far better managed.

With the exception of Texas and California, New York has been estimated to have more residents without a regular source of health care than any other state.

*A failure to invest in primary care professionals.* As a general matter, the nation appears to be heading toward a primary care crisis. Estimates of physician supply in New York suggest that the state is at serious risk for the loss of a primary care infrastructure, particularly in the case of medically underserved and rural communities.

## **Making Primary Care a Centerpiece of New York State Health Reform**

New York policymakers must make primary care a centerpiece of reform if the state is to reverse longterm trends affecting health care costs, access, and quality, especially for underserved populations. Effective reform will focus on six major goals:

- Add to the goals of reform a primary health care home for all New York residents within the next decade.
- Stem the erosion in primary care capacity, especially for populations at risk and the health care safety net, through payment reforms that reward results and incentivize investment in quality of care improvements and adoption of health information technology.
- Stimulate capital investment in the primary care infrastructure, including investment in facilities, equipment, and health information technology and performance improvement.
- Ensure adequate financial support to recognize costs incurred by the primary health care safety net.
- Invest in the development of a primary care workforce.
- Make active engagement with primary care systems a fundamental performance measure in hospital and nursing facility right-sizing.