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Can New Players Revive U.S. Primary Care?

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Summary. Primary care in the United States has long been undervalued. Can companies moving into this space address its chronic problem — namely, that it is undervalued and undercompensated? There are three strategies they could employ: use primary care as a... **more**

CVS-Aetna, Walgreens, Walmart, Amazon, Optum-United Health Group — they're all buying primary care practices or hiring primary care practitioners (PCPs) directly. Never before have the titans of capitalism shown such interest in the humble family physician. And therein lies a story with huge but uncertain

implications for American health care. This new trend could greatly bolster, or dangerously distort, U.S. primary care, a critical component of a healthy health care system.

Why Is This Happening?

Underlying this trend is the fact that primary care in the United States is failing and has been for decades. Millions of Americans have trouble finding or getting access to primary care in a timely and convenient way. Primary care providers are increasingly scarce, even in medical meccas such as Boston, New York, Chicago, and San Francisco. In rural America, they are downright rare. Among high income countries, Americans are least likely to have a regular doctor or a long-standing relationship with a PCP.

But the usual stakeholders in the health care system — insurers, the health professions, hospitals, state and federal governments — have proved unable or unwilling to do anything about it. This is certainly one of the reasons that health care in the United States costs much more than it should.

The problem is that in America's fee-for-service system, primary care physicians are less well compensated for their work than specialists who do procedures such as surgery, cardiac catheterization, or colonoscopies, and are less respected than most of their peers. The average annual income of a U.S. family physician in 2020 was $234,000 compared to $411,000 for a dermatologist, $427,000 for a radiologist, and $511,000 for an orthopedist.

Other high income countries spend much more on primary care services as the United States as a proportion of their total health care expenditures (14% vs. an estimated 5% to 8%), and generalists compose a substantially higher proportion of all practicing physicians; for example, 45% in France and 26% in the UK, compared to 12% in the United States.

Yet the services PCPs provide — preventive care, coordinated management of patients with multiple chronic illnesses, patient assistance with navigating a complex health care system — are vital to a high functioning health system. These services prevent unnecessary hospitalizations and expensive, avoidable emergency room visits for simple problems and provide comfort and relief for patients facing the myriad small and large health issues that trouble them and their loved ones.

Enter the Private Sector

Observing the U.S primary care vacuum, companies that work at the periphery of direct service delivery — insurers and retailers that sell drugs and medical supplies — have sensed opportunity. Some, such as CVS-Aetna, began by experimenting with now-familiar "minute-clinics" that employ nurses and pharmacists in retail facilities to offer immunizations and treatment of basic problems such as colds, sinus infections, and urinary tract infections.

Some venture-backed companies have gone a step further by creating new models of primary care in which PCPs assume financial risk for the cost and quality of all or part of their patients' care in return for an upfront, annual payment, sometimes called capitation. These ventures calculate that they can reduce the waste in the system, reap the savings, and thereby improve the compensation and working conditions of primary care providers while creating a bottom line for investors.

The key question now is: What does the arrival of these primary care actors mean for the quality and efficiency of health care services in the United States? The answer will depend critically on how corporate entrants address the chronic problem that has

afflicted primary care in the United States — namely, that it is undervalued and undercompensated by the health care system generally. They will have to find ways to pay PCPs more without working them to the point that they burn out. If they can, they may rescue our withering primary care sector. But if they go in the wrong direction, they could further undermine primary care and our health care generally.

Three Prescriptions

There are three basic routes that companies could travel to revive primary care. First, retailers can treat primary care services as a loss leader to attract more customers to their retail facilities and use the profits to cross-subsidize primary care. The question is: Will offering a full-service primary care clinic enable CVS to sell enough more greeting cards, heating pads, and prescription drugs, or Walmart more lawn chairs and hardware to make clinics worth the cost?

From the standpoint of the health care system generally, using primary care as what amounts to a marketing ploy seems like a slim reed on which to build back a vital national service. The vagaries of business could easily result in rapid jettisoning of a service that, especially in rural communities, local populations may have come to rely on.

A second strategy is to make primary care itself more profitable under the current fee-for-service conditions by increasing its productivity. This may be possible by using more nurses and other aides to extend the reach of supervising primary care physicians or using nurse practitioners as the chief providers of service.

However, the profits are never likely to be great given meager fees, and companies will face temptations to embrace counterproductive approaches. One is to dramatically increase throughput in clinics, which could lead to patient and provider discontent. A second is to pile on billable services such as lab tests, an approach that already undermines cost and quality in the U.S. health care system generally.

Some are pursuing a third strategy, which is by far the most promising. It especially makes sense for the Optum-UHGs and CVS-Aetnas of the world. They already assume financial risk for the cost of care on behalf of their fully insured clients and manage those expenses for clients who are self-insured. This capitation approach creates a clear business case to use primary care as a technique for reducing cost and increasing quality by maximizing preventive care, effectively managing chronic conditions to avoid unnecessary hospitalizations and emergency room visits, and minimizing expensive specialty care for conditions that can be treated effectively by PCPs.

The resulting cost reductions enable insurers to offer more competitive premiums while at the same time increasing retained earnings. The resulting income could enable them to increase primary care compensation and provide PCPs the support and prestige they have so far lacked.

No modern health care system can function without the equivalent of what the family doctor provides. The United States has failed to offer it. Perhaps corporate America can come to the rescue, make a profit, maintain quality, and sustain a vital national service. Whether they succeed could make a huge difference for the future of the U.S. health care system.

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