Appendix 1 From:

George A, Sachdev N, Hoff J, et al. Development, Value, and Implications of a Comprehensive Primary Care Payment Calculator for Family Medicine: Report From Family Medicine for America's Health Payment Tactic Team. Fam Med. 2018;51(2):185-92.

Appendix 1: Calculation of Primary Care Activity Level (PCAL)

To derive a coarse estimate of the payment level necessary for a comprehensive payment, we calculate the Primary Care Activity Level (PCAL) for the population of interest and set this as an upper bound reference. The PCAL model uses resources spent on other types of care as a proxy or signal to indicate an increased need for primary care services. Increased spend on prescription drug dollars, ED visits, hospital and specialty care thus suggests a role for increased primary care spending in concert. For example, to handle simple problems in-house that might otherwise be referred out; to avert crises by attentively managing chronic problems; or to coordinate care for patients during and after hospitalizations and other crises. This allows us to build a bridge from an existing FFS model to a comprehensive payment model using the FFS payments as a starting point.

In the formula that follows, Y represents the PCAL value at the annualized patient level. We define Y as the dollar amount:

Y = (All FFS Primary Care Annual Dollars)

+ (0.06 * Specialty Care Annual Dollars)

\+ (0.06 * Hospital IP Annual Dollars)

\+ (0.17 * ED Visit Annual Dollars)

\+ (0.12 * Prescription Drug Dollars)

The service category dollar amounts are calculated from the most recent year's annual FFS payments for the patient, while the coefficients are derived from research by conducted by Ash et. al. [1] We then average the Y values for the population of interest to create a population value Y_POP, which becomes our base rate upper bound. To arrive at our unadjusted base rate, we set our base rate at 8.0% of TCOC or at Y_POP, whichever is lower. This ensures that our base rate is set at either 67% of our 12% TCOC target (namely 8.0%), or a Y_POP that accurately accounts for the primary care activity level expected from the prior year of claims experience.