Optum Health Primary Care Practices Outperform Hospital-Based and Other Physician-Owned Practices on Quality and Cost for Medicare Patients

Effective primary care – a cornerstone of a high-performing health care system – can improve quality and outcomes, coordinate care, and make health care more affordable for consumers, employers, and taxpayers.

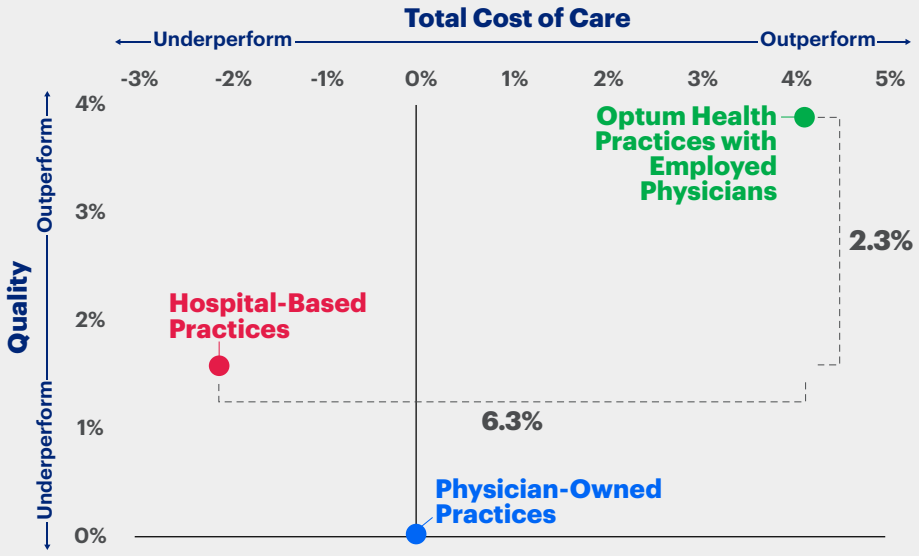
Primary care physicians are stepping up to meet the challenge; however, many physician-owned practices require increased resources to invest in quality measurement and data management to optimize care for patients, especially those with chronic or complex needs. For at least a decade, physician-owned practices have sought partners that can provide administrative infrastructure and access to capital. Most of these transactions have been with hospitals. **Between 2012 and 2022, the share of U.S. physicians employed by hospitals increased by 41 percent to over 4 out of every 10 physicians.**[1]

As primary care practices seek needed partnerships, **Optum Health offers a better alternative than hospital ownership by aligning the interests of patients, physicians, and payors**.

- **Hospitals that own primary care practices have conflicted incentives regarding patients' total health care costs** because, even when a hospital-based primary care practice earns bonuses by reducing the need for hospitalization, the hospital can earn significantly more through inpatient admissions and referrals to costly hospital-based services.
- **Optum Health primary care practices with employed physicians have clear incentives to keep patients healthy and lower their total costs**, helping clinicians deliver preventive services, manage chronic conditions, make referrals to high-quality specialists, avoid unnecessary and costly interventions, and reduce the need for hospitalization.

Optum Health practices with employed physicians outperformed hospital-based and physician-owned practices on overall quality and risk-adjusted total cost of care for their Medicare Advantage patients.

Performance of Primary Care Practices on Quality and Cost for Medicare Advantage Patients, 2023



Physician-owned practices are the benchmark against which Optum Health and hospital-based practices are evaluated. Comparisons between Optum Health and hospital-based practices reflect percentage point differences.

Optum Health Practices with Employed Physicians

- **Outperformed hospital-based practices** by:
  - 6.3% on cost
  - 2.3% on quality
- **Outperformed physician-owned practices** by:
  - 4.2% on cost
  - 3.9% on quality

Hospital-Based Practices

- **Underperformed physician-owned practices** by 2.1% on cost
- **Outperformed physician-owned practices** by 1.6% on quality

Over the next decade, the federal government is expected to spend over $15 trillion on Medicare benefits.[2] **Each percentage point reduction in total cost of care across the Medicare program represents $150 billion in potential ten-year savings.** For example, a 4 percent reduction in costs for half the Medicare population during this period could yield **$300 billion in taxpayer savings**.

Methodology

UnitedHealth Group conducted this analysis using UnitedHealthcare Medicare Advantage claims.

Enrollees

The analysis includes Medicare Advantage enrollees ages 65 and older. It excludes dual Medicare-Medicaid enrollees, individuals enrolled in Special Needs Plans, enrollees in certain care management and coordination programs, hospice care patients, enrollees who had benefits administered under a coordination of benefits process, and individuals ages 100 and older. Enrollees select a primary care physician (PCP) upon enrollment or are assigned to a PCP if they do not select one, and members can change their assigned PCP after enrollment.

Primary Care Practices

A primary care practice is defined as a contracted entity with at least one UnitedHealthcare Medicare Advantage enrollee assigned to a PCP credentialed to deliver internal medicine, family medicine, and/or geriatric medicine during 2023. A practice can have more than one tax identification number (TIN), and/ or physical address. Practices are assigned to one of three categories:

- Optum Health practices are defined as those where the physicians are employees of either an Optum-affiliated physician-owned practice or an Optum-owned entity, exclusively managed and supported by Optum. Practices that do not meet these ownership and employment criteria, including practices that have contracts with an Optum entity, are assigned to one of the two categories below.
- Hospital-based practices are defined as those submitting claims using a hospital or hospital system TIN. They include practices owned by or affiliated with hospitals, and practices owned by health plans that in turn are owned by hospitals.
- Physician-owned practices are defined as the remainder of practices. The vast majority is owned by individual physicians or groups of physicians. This category includes a small number of practices owned by health plans or private-equity firms, which were not identified by their TINs, and a small number of practices with incomplete or conflicting information regarding hospital and/ or physician ownership.

Quality Comparison

The quality comparison uses UnitedHealthcare Medicare Advantage claims with dates of service from January 1, 2021, through February 29, 2024, and processed through February 29, 2024. To compare the quality performance of the Optum Health, hospital-based, and physician-owned PCP practices, observed-to-expected compliance ratios are calculated for enrollees assigned to each practice category using a comprehensive set of standardized quality measures. Measures include those endorsed by the National Quality Forum (NQF) or those selected or developed using information from the National Committee for Quality Assurance (NCQA), government agencies, the Pharmacy Quality Alliance (PQA), other national expert panels, or the published literature. These measures span 136 conditions and procedures across 45 specialty and subspecialty areas of clinical practice, resulting in more than 350 potential combinations of measures and conditions or procedures.

First, observed and expected compliance are calculated for each individual enrollee. The enrollee's observed compliance is the sum of all applicable measure instances where the measure criteria is satisfied. The enrollee's expected compliance is the sum of the UnitedHealthcare Medicare Advantage national average compliance rate for each applicable measure, which is calculated separately for each unique combination of specialty, condition or procedure, and severity level, when applicable. This approach adjusts for the mix of enrollees assigned to each practice. For measures applicable to more than one specialty, the average rate across specialties is used.

Next, observed and expected compliance are calculated for each practice by summing the observed and expected values for all enrollees assigned to the practice. Observed to expected compliance is then calculated for each practice category by summing the observed and expected values for each practice within each category. Finally, the observed-to-expected compliance ratio is calculated for each practice category by dividing the observed compliance value by the expected compliance value.

Observed-to-expected compliance ratios are calculated for all included Optum Health, hospital-based, and physician-owned practices. Percentage difference to the 1.00 average observed-to-expected ratio is calculated for each ownership category. An observed-to-expected compliance ratio of 1.020 represents risk-adjusted quality of 2 percent higher than average, which is represented as 2.0 percent outperformance relative to the average. The overall observed-to-expected quality ratios for each practice category are compared to each other. Physician-owned practices underperformed the average by 0.9%. This value is set at 0.0% to serve as the benchmark for displaying the relative performance of hospital-based and Optum Health practices on quality.

Cost Comparison

The cost comparison uses UnitedHealthcare Medicare Advantage claims and capitated encounters with dates of service from January 1 through December 31, 2023, and processed through June 30, 2024. Total costs include all allowed spending, including patient cost sharing, under Medicare's medical and pharmacy benefits, which include primary care, outpatient services, hospital inpatient care, and prescription drugs. Cost for capitated encounters is computed as 100% of Medicare allowed reimbursement for services provided in each capitated encounter. Each enrollee's annual costs are truncated at $100,000 to account for outliers and then adjusted to reflect enrollee risk scores and geography. Total costs are calculated for Optum Health practices, physician-owned practices, and hospital-based practices and then normalized for risk score and geographic differences between the three categories.

Risk scores are retrospectively measured using claims data to derive enrollees' conditions and comorbidities. The risk model assigns a value that represents the expected cost of treating those conditions and comorbidities relative to the "average" Medicare Advantage enrollee. The risk model and risk weights were calibrated using multi-payor data. Geographic adjustment factors based on enrollees' county of residence were calculated to measure observed geographic differences in allowed costs that are not captured by the risk score differences.

The risk-adjusted, geography-adjusted total costs per member per month for each practice category are calculated for each practice category and compared to each other, with 1.0 percent lower costs represented by 1.0 percent outperformance relative to the average. Physician-owned practices outperformed the average by 2.1%. This value is set at 0.0% to serve as the benchmark for displaying the relative performance of hospital-based and Optum Health practices on costs.

Citations

1 Kane, C.K., "Recent Changes in Physician Practice Arrangements: Shifts Away from Private Practice and Towards Larger Practice Size Continue Through 2022," American Medical Association, 2023.
https://www.ama-assn.org/system/files/2022-prp-practice-arrangement.pdf
Hospital ownership includes partial hospital ownership; direct employment includes contractor relationships.

2 Congressional Budget Office, "Baseline Projections: Medicare," June 2024.
https://www.cbo.gov/system/files/2024-06/51302-2024-06-medicare.pdf

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