

DIRECT PRIMARY CARE

SPOTLIGHT



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RESTORING THE
DOCTOR-PATIENT RELATIONSHIP

About the Author



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The excessive amount of government intervention that has encumbered our nation’s health care system is pushing some physicians to scale back or cut off their relationships with middleman insurers to spend more time with their patients.

The innovative business model is known as direct primary care (DPC).¹ In exchange for a monthly fee that covers a defined package of services, patients have guaranteed unlimited access to their physicians. DPC is similar to concierge medicine, but the key difference is that these practices deliver basic health care at an affordable price with no insurance billing whatsoever.²

DPC has been around for years, but it’s currently a niche market. Even so, it continues to pique physicians’ interest. As of 2014, over 4,400 doctors in the US had transitioned to direct health care delivery, a significant increase from just 146 in 2005.³ DPC restores the incredible value of personalized medicine, benefitting patients, doctors, employers, and the state.

Benefits to Patients

Because primary care is relatively inexpensive to administer, DPC is an appealing option. Industry-wide data show that average monthly memberships vary from \$25 to \$85.⁴ In return, patients are entitled to around-the-clock care that may include services such as comprehensive annual physicals, EKG testing, joint injections, laceration repairs, and skin biopsies. North Carolina practices can even dispense prescription drugs in-house at wholesale cost.⁵ The chart below provides a list of discounted labs and medications offered at Doctor Direct, a DPC practice located in Raleigh, N.C. Note that these charges are in addition to membership fees.

| Discounted Lab and Medicine Pricing | | |
|-------------------------------------|---------------------|--------------|
| Examples | Doctor-Direct Price | Retail Price |
| CBC | \$4.00 | \$35.00 |
| Chemistry Panel | \$5.00 | \$55.00 |
| Cholesterol Panel | \$6.00 | \$65.00 |
| TSH | \$5.00 | \$60.00 |
| HgA1C | \$5.00 | \$55.00 |
| PAP | \$30.00 | \$75.00 |
| PAP w/HPV | \$75.00 | \$190.00 |
| Zpak | \$3.00 | \$25.00 |
| Lipitor | \$4.00 | \$15.00 |
| Imitrex | \$8.0 | \$50.00 |

Since Obamacare’s individual mandate requires everyone to purchase health insurance that includes preventative health care services, many perceive that direct care patients are paying twice for health care. But Americans with insurance are already committing to two payments for health care – monthly premiums in addition to co-pays and co-insurance. Direct care offers treatments for patients at lower out-of-pocket-costs than their monthly premiums.

Dr. Patrick Rohal, a DPC physician who practices in Pennsylvania, explains:⁶

A friend of mine was jogging one day recently, and he cut his leg while trying to hop over a guardrail to avoid a deep puddle. He went to the ER. The ER doc did a skillful job stitching up the wound, and the insurance company, a few weeks later, did a skillful job of handing him a bill for \$1800! (Alas, he had a high deductible.) My friend had no way to predict, nor to control, the costs adding up as his leg was being mended in the ER. In CovenantMD, the total bill for the procedure would have been \$70 paid at the time of service, a price he would know before hand, as he would have already known that it costs \$50 for me to come in after hours, and another \$20 to do stitches.

Despite limited data on direct care, existing literature concludes⁷ that patients enjoy improved health outcomes while saving on overall health expenditures, when compared to those navigating the traditional health insurance system. A study conducted by the University of North Carolina medical school and North Carolina State University MBA students found that patients seeking treatment from Dr. Brian Forrest at Access Healthcare, his direct care practice located in Apex, N.C., spent 85 percent less and enjoyed an average of 35 minutes per visit compared to 8 minutes in a non-direct care practice setting.⁸

Benefits to Doctors

DPC restores the traditional doctor-patient relationship. Imagine physician practices that do not have to spend over 40 percent of practice revenue on overhead costs and personnel responsible for filing insurance claims.⁹ Opting out of insurance contracts allows smaller practices to break even on as little as four patients per day, rather than an average of 32 in today’s typical practice setting.¹⁰ According to an article published in *Health Affairs*,¹¹ DPC doctors can treat roughly one-third the number of patients normally seen in a medical office that

accepts insurance and still bring in comparable practice revenues. More importantly, DPC heightens providers' professional satisfaction because they can escape the corporate environment of the ever-consolidating health care industry. Calling their own shots under this business model allows for them to actually practice the art of medicine and hold fast to their autonomy.

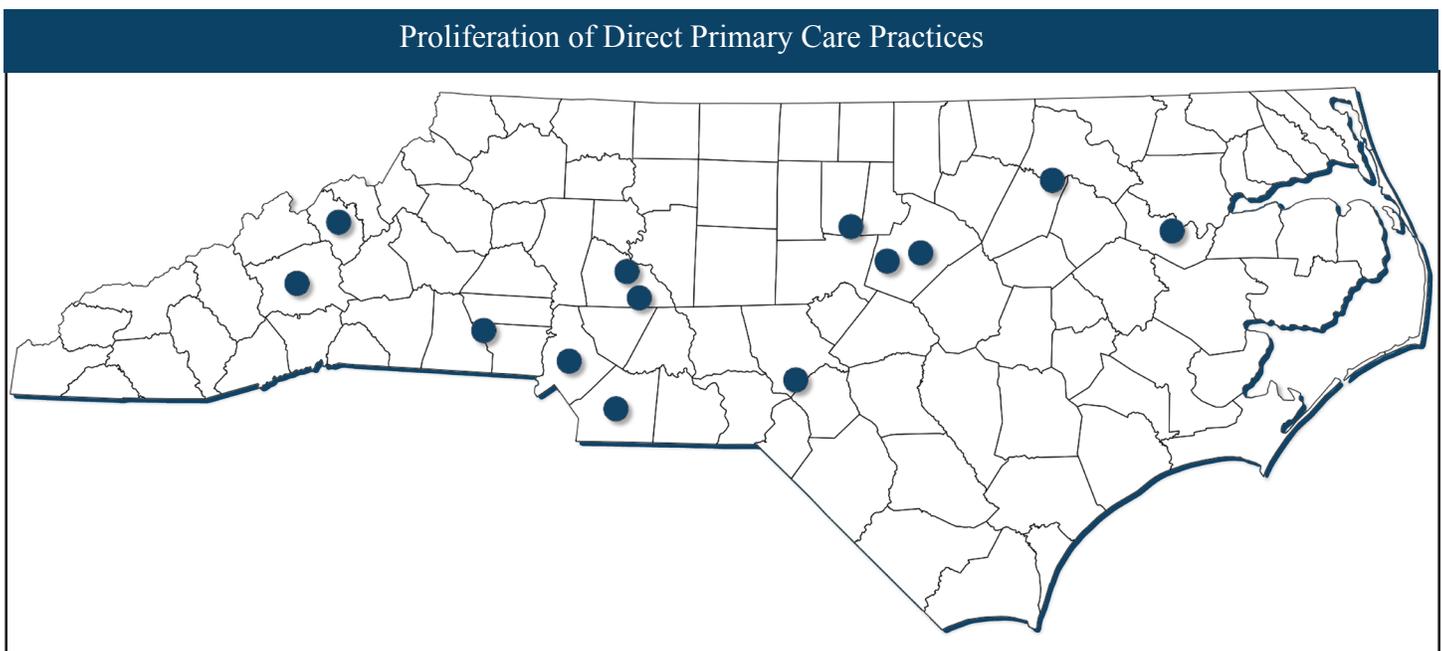
Fortunately, North Carolina ranks as one of the top DPC-friendly states.¹² Unlike other state legislatures,¹³ ours does *not* subject these practices to government price controls, capped patient numbers, limited treatments, or a defined menu of services.

The map below shows the (20) different DPC practice locations that span from Asheville in the west to

policyholder market; the Department of Health and Human Services (DHHS) Secretary, Sylvia Mathews Burwell, has yet to clarify what benefits must be included for them to be deemed as "qualified."¹⁶ In the meantime, it's recommended that patients who partake in direct care also purchase a high-deductible health plan for medical emergencies.

Benefits to Employers

While a majority of direct care takes place in small practice settings, there are DPC establishments that specialize in contracting with large employers. One of the largest ones to date is Qliance.^{17, 18} Located in Seattle, Washington, Qliance's clients include Amazon and Expedia, Inc. These self-insured corporations extend



Williamston in the East. North Carolina DPC pioneer Dr. Brian Forrest, founder of Access Healthcare Direct,¹⁴ has greatly contributed to DPC market penetration statewide and on the national level.

Since DPC practices do not accept insurance, some question how physicians can still thrive under Obamacare's insurance mandates. Interestingly, section 10104 of the federal health law *endorses* DPC as long as it is accompanied by catastrophic health coverage that includes benefits outside of primary care.¹⁵

So, if patients purchase a wraparound plan and seek care through a DPC practice, this theoretically fulfills the individual mandate.

The problem, however, is that insurers have not taken the initiative to offer these types of plans in the individual

the option for their employees to seek preventative care through Qliance. One of its clinics even operates inside Expedia's headquarters.

A review of two years of health care claims data reveals that workers who opted to be treated by Qliance saved their employers 20 percent on health care expenses compared to employees who chose a different provider.^{19, 20} The table on the following page illustrates that an increase in direct care visits led to a greater than 50 percent reduction in specialist referrals, emergency room visits, and surgery.

Another notable DPC network is MedLion. Established in 2009, MedLion has expanded to become the nation's largest DPC network, with practices operating in 26 states - two of which are located in Apex and Charlotte.

MedLion’s partnership with the National Association of Health Underwriters (NAHU) and Pan American Life Insurance Group will only help further market its product to large employers and their employees.²¹ Under partnership terms, NAHU brokers receive commission if self-insured employers opt to pay MedLion \$50 a month for their employees’ primary care services in conjunction with a health plan that covers services outside of primary care. Meanwhile, Pan American Life Insurance Group has agreed to offer products coupled with MedLion’s direct care packages nationwide. Praveen Mooganur, MedLion’s President and COO, stated that DPC combined with tailored plans can save employers up to 30 percent²² in premiums.

Benefits to the State

Commercial and public payers like Medicare and Medicaid are shifting more towards reimbursing providers based on patient health outcomes rather than the volume of services they render. In fact, the Centers for Medicare and Medicaid Services (CMS) plan to link 85 percent of Medicare payments to quality or value by 2016.²³ North Carolina’s recently passed Medicaid reform²⁴ also focuses on value-based health care in which managed care insurers and hospital networks will contract with the state to be

responsible for improving Medicaid patients’ overall health within a defined budget.

DPC is the epitome of value-based medicine, and it has the potential to help North Carolina improve the value of total health care spending. The model is similar to managed care contracts in that these practices are held accountable for continuously monitoring and treating their patients with their operating revenue, a majority of it derived from capitated membership payments. A key difference between managed care contracts and DPC, however, is that DPC isn’t bogged down with excessive amounts of third-party paperwork.

For the DPC model to remain unchanged, yet still cater to Medicaid patients, the North Carolina Department of Health and Human Services (NCDHHS) could work within a federal waiver to administer and monitor health savings accounts (HSAs) or debit cards²⁵ with a lump sum contribution to eligible enrollees. That way, there would be no middleman intervention between the physician and patient.

Recommendations

While DPC in North Carolina faces minimal regulatory hurdles at the state level, it would be wise for policymakers to pass legislation that simply states that direct care providers do not act as a risk-bearing entity, so that patients’ monthly DPC membership fees are not classified as an insurance premium. Legislation that clearly defines DPC as not being an insurance product will save this health care delivery method from being subject to regulations under the North Carolina Department of Insurance (DOI). To date, 13 states have enacted legislation that specifically defines DPC not acting as insurance.²⁶

Passing clarifying legislation would likely lead to a stronger DPC presence in North Carolina. It would also assist in rekindling the appeal of the primary care profession,²⁷ which in turn would help mitigate the projected primary care physician shortage. 

| Qliance vs. Non-Qliance Patients | | | | |
|---|--------------------------------------|--|--------------------------------|------------------------------|
| | Incidents per 1,000 Qliance Patients | Incidents per 1,000 Non-Qliance patients | Difference (Qliance vs. Other) | Savings per patient per year |
| ER Visits | 81 | 94 | -14% | (\$5) |
| Inpatient (days) | 100 | 250 | -60% | \$417 |
| Specialist Visits | 7,497 | 8,674 | -14% | \$436 |
| Advanced Radiology | 310 | 434 | -29% | \$82 |
| Primary Care Visits | 3,109 | 1,965 | +58% | (\$251) |
| Savings Per Patient | - | - | - | \$679 |
| Total Savings per 1000 (after Qliance fees) | | | | \$679,000 |

Endnotes

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