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Choosing Your Care: How Direct Care Can Give Patients More Choice

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Key Points

- Direct care models are a growing innovation bypassing third-party payers and giving patients more choice and price transparency.
- Direct primary care gives patients more access to their primary care provider than traditional providers with lower out-of-pockets costs.
- Direct primary care can be a valuable supplement for Medicaid beneficiaries who have trouble getting necessary care.
- There is currently no definition of direct care in Montana law, requiring legislation to permanently authorize direct care models.

Introduction

Over the past several decades in the United States, the healthcare industry has become increasingly dominated by third-party payers. An individual's health coverage, whether it is private, Medicare, or Medicaid, can significantly influence healthcare decision-making. A health plan can determine which medical professional is seen, which prescription drugs are filled, and even whether a procedure can be done.

The United States healthcare system hasn't always been dominated by third-party payers but has become distorted from many years of government regulations (Balat et al.). Third-party payers are any entity, other than the patient, that reimburses healthcare providers for their services. They include insurance companies, employers, the federal government, and state governments through Medicare and Medicaid. The current system with heavy influence of third-party payers under government mandates is the source of many frustrations. For most people, their health coverage is tied to their employer, making it more difficult to change jobs (Madrian). Prices for healthcare are typically unknown before a procedure for patients and even providers, leading to surprise bills after procedures are done (Cooper and Scott Morton).

To address many of these frustrations caused by third-party payers, many patients and doctors have found it easier to bypass this system entirely. Medical practices that do this are broadly referred to as direct care. Direct care practices seek to resolve the flaws of recent years by providing transparent pricing and strengthening the doctor-patient relationship. Direct care has gained momentum in primary care, surgery, pharmaceuticals, and dentistry. Direct care functions differently in each setting, but the central idea is that third-party payers are not involved, and prices are known *before* the patient sees the medical professional.

The current healthcare system as it stands is not working for many Americans. Awareness of direct care can limit the current prominence of third-party payers, encourage competition, and give patients more control of their healthcare. In this policy perspective, we will review several direct care models that accomplish this.

Direct Primary Care

Direct Primary Care (DPC) practices are a commonly utilized direct care model. These primary care practices require small periodic fees (typically monthly), and in return patients are not charged out of pocket for each individual appointment. Patients are allowed to see their provider as often as they like for preventative, wellness, and chronic care, and certain medical tests are included in the membership fee depending on the membership agreement (AAFP 2019a). Currently there

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are around 1,200 DPC practices in 48 states (DPC Frontier 2019b).

States have the ability to regulate DPC as they see fit, and more than two-thirds have crafted legislation to do so (Lucia et al.; DPC Frontier 2019a). Montana is one of the few states that has not passed legislation to regulate DPC, though it does have a standing regulatory advisement that DPC does not fall under insurance and should not be regulated as such (CSI Advisory Memorandum). DPC is not a substitute for health insurance and frequently supplements traditional health insurance. It can be an option for people enrolled in high-deductible health plans (HDHP), which have become more common in recent years (Cohen and Zammitti).

A common misconception about DPC is that it is concierge medicine by a different name. Concierge medicine, sometimes called "retainer," "luxury," or "boutique," is primary care that is defined by having a supplemental fee for enhanced access to a primary care provider (Alexander), while still billing third-party payers.

Concierge medicine and DPC have many similarities. These include that providers in these types of practices generally have fewer patients compared to typical primary care pro-viders, and they will charge patients a regular fee. Patients will be able to spend more time with their provider, and they typically can communicate with their provider after hours either over the phone or by email.

However, there are also major differences. First, pure DPC practices do not bill third-party payers, while concierge practices commonly bill third-party payers for the visits in addition to the membership fee. Second, concierge medicine generally requires fees to be paid annually or quarterly, while DPC practices typically require membership fees to be paid monthly. Finally, concierge practices have higher fees. One study found that DPC practices typically charge an average of $77 per month, while concierge practices charge an average of $182 per month (Eskew and Klink, 795).

There are many benefits from DPC for both patients and providers, most notably the absence of structure and requirements of third-party payers from the doctor-patient relationship. For individuals enrolled in this type of care, the DPC provider can provide most medical care, and an HDHP can be purchased to cover unexpected, high-cost medical necessities. Employers looking to reduce healthcare costs for their employees can enroll their employees in direct primary care memberships in conjunction with an HDHP, which can satisfy employees' needs as well as save money for the company. Companies that switch to membership agreements can have savings of 30 to 50 percent of their annual healthcare costs (Anderson).

Patients in Direct Primary Care

A significant benefit of DPC practices for patients is that they have a better opportunity to form a stronger relationship with their provider. DPC practices generally have patient panels between 600 and 800 patients, whereas a typical primary care provider that bills insurance will typically have patient panels upward of 2,000 patients (AAFP 2014). Since DPC practices have much fewer patients to care for, patients are able to spend an average of 35 minutes with their physician (Eskew and Klink, 796) compared to an average of 8 minutes for typical primary care providers (Schimpff).

Additionally, many DPC providers connect with their patients through an app that allows for texts and email, eliminating the need for in-person appointments in many instances. Physicians can meet virtually with patients to diagnose illnesses and prescribe medication. Another benefit of DPC is flexibility and portability. If a patient has developed a strong relationship with a provider and the patient travels frequently or moves to a new city, the flexibility of email and phone calls allows the patient to continue to receive care from the same DPC provider. According to a survey study, 82 percent of DPC practices have physician email access and 76 percent allow patients to have 24-hour access to their DPC provider (Rowe et al.).

Memberships can be bought privately by individuals and families or by employers as an alternative, or they can be bought in conjunction with fee-for-service health insurance plans. If one chooses to purchase this type of coverage, monthly fees typically cost between $50 and $100 per person (Thornton). Patients who switch can save 85 percent on out-of-pocket costs that are associated with fee-for-service models (Eskew and Klink, 796).

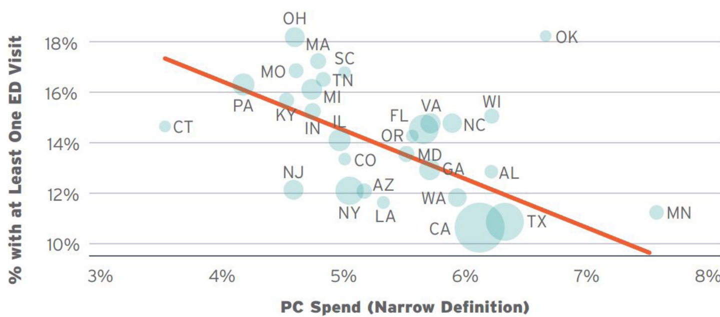
Many minor procedures such as stitches, wart removals, or vaccinations are frequently included in the monthly fee. Other services, such as tests that cannot be done in-house or less common procedures will typically be provided to members at an additional cost, but this in some cases may be lower than what a patient would pay with insurance (HCN). Price transparency is a welcomed feature for users of DPC; prices are known upfront, allowing patients to budget for their care. The extent of additional services varies by practice. One physician practicing in this model noted that paying an additional fee of $50 is still significantly cheaper than going to an emergency room for the same procedure with insurance, saving patients thousands of dollars (Rohal).

Because DPC only covers primary care, in the event of a more serious health need in which a patient needs to see a specialist, having an HDHP as a safety net is recommended.

The American Academy of Family Physicians states that "because some services are not covered by a retainer, DPC practices often suggest that patients acquire a high-deductible wraparound policy to cover emergencies" (AAFP 2019b).

There can be significant health benefits for patients who enroll in DPC practices. The DPC model is designed to foster more frequent and in-depth communication with their primary care provider. Research has shown that primary care plays an important role in people's health. For example, one study found higher utilization of primary care is related to lower rates of emergency department visits (see **Figure 1**) (PCPCC). Another study found that more access to primary care providers is associated with higher life expectancy (Basu et al.). Since DPC promotes a closer relationship between doctors and patients, it has the potential to improve the long-term health of its users.

Figure 1. Relationship between primary care spending and emergency department visits



R = -0.58. Note: Size of circles represents the population size of the state.

Source: PCPCC

A recent study found that patients in a high-touch primary care model, which included more frequent visits to a primary care provider, have lower healthcare costs and fewer hospitalizations in the 12 months following the intervention, compared to patients in a standard course of treatment (Ghany et al.). Though this study did not specifically study DPC, it suggests that the DPC model of encouraging more frequent primary care visits could potentially improve patient outcomes in the long run.

Physicians in Direct Primary Care

Increasingly, physicians are attracted to DPC due to the numerous benefits that it provides them. First, there's less administrative work involved when providers don't need to file claims or negotiate with insurance companies for inclusion in networks. The American College of Physicians states "administrative tasks are keeping physicians from entering or remaining in primary care and may cause them to decline participation in certain insurance plans because of the excessive requirements. The increase in these tasks has been linked to greater stress and burnout among physicians." (Erickson et al.). The DPC model may be an upgrade for providers frustrated by the traditional model.

With freedom from dealing with third-party payers, DPC providers can enroll fewer patients without sacrificing office space or income. Smaller patient panels for DPC providers allow them more time with each patient and will come with lower overhead for practices. One practice claims their overhead is about 40 to 60 percent lower compared to a typical practice (Forrest). Practices do not need the staff and other resources to process and carry out the responsibilities associated with third-party payers. Insurance also does not have a high compensation rate for small, outpatient appointments, which forces practices to bring in more patients with shorter appointments. By billing on a monthly basis, rather than on a per-claim basis, DPC providers have a more predictable revenue stream, which can reduce uncertainty and can help them better manage their practice.

Other Direct Care Models

Other direct care models exist outside of direct primary care, allowing patients to find providers to meet their medical needs at affordable prices. For some, pharmaceuticals, surgeries, and specialty services may play a large part in their chronic care. Others may seek these services out as needed and see the benefit in not having paid a premium before knowing about their medical needs. The central idea of these other direct care models is that, like DPC, they don't involve third-party payers in the process. Without the presence of the current third-party payer model, pricing becomes more transparent, and patients are not limited by provider networks, giving patients more power to control their own healthcare decisions.

Direct Surgical and Specialty Care

There is a growing market of surgical centers and specialty care practices that exclusively accept cash, bypassing third-party payers entirely. While different from the DPC model where a periodic fee pays for multiple medical services, these practices offer a fully transparent price list for patients to utilize with a pay-as-you-go model. Practices post the prices of procedures, which include the cost of the procedure(s), plus other associated fees, such as facility fees, anesthesiologist fees, overnight stay, and follow-up appointments. Although specifics vary by each practice, some providers, such as the Surgery Center of Oklahoma and the Texas Free Market Surgery, will not charge additional fees if there are unforeseen complications prior to discharge from the facility (Surgery Center of Oklahoma; Texas Free Market Surgery).

Direct surgical centers will typically perform non-urgent procedures such as knee replacements, setting and casting

broken bones, and procedures for carpal tunnel syndrome, as an alternative to inpatient care at a fee-for-service hospital. The Surgery Center of Oklahoma and the Texas Free Market Surgery are two prominent surgery centers of this style. Both centers have transparent pricing for every procedure on their websites. This level of price transparency gives patients not only one fixed price *before* the surgery is performed, but it also gives them the opportunity to decide if the cash prices are more affordable than if their procedure was processed through a third-party payer. In the current model of healthcare with third-party payers heavily involved, patients and doctors generally do not know the actual cost of their procedures until *after* the procedure is performed.

Another model of direct care is common with cosmetic procedures, such as plastic surgery or LASIK eye surgery (Herrick). Because these types of procedures are not typically covered by health insurance, patients are required to pay out of pocket. Consequently, providers will frequently list prices on their website, so patients know the cost of the procedure. The benefits of this level of price transparency are clear. From 1992 to 2012, while the cost of medical care has increased by about 120 percent, cosmetic services have increased by only 30 percent. In fact, the cost of conventional LASIK eye surgery has *declined* by 25 percent from 1999 to 2011 (Herrick, 2).

Direct Pharmaceutical Care

In direct pharmaceutical care, pharmacists and physicians are legally allowed to dispense prescription drugs to patients based on physician prescriptions without going through the patient's insurer to pay for the medications (DirectRX). Direct pharmacies do not bill third-party payers and experience lower overhead costs by not relying on pharmacy benefit managers (PBMs). PBMs negotiate the cost of prescriptions for insurers, with their rebates from manufacturers possibly making up 40 percent of the price consumers pay (Seeley and Kesselheim). Under the PBM model, consumers are unable to see how much of a rebate they are paying back to manufacturers.

A poll released in 2019 found that 3 in 10 adults ages 50 to 64 have reported difficulty in affording their medications; 29 percent of adults reported that costs have caused them to not take their medications (Kirzinger et al.). The expansion of direct pharmacies can help patients adhere to the medicinal directives of their physicians through ease of access and potentially lower costs.

Dental Memberships

Similar to direct primary care, another growing direct care model is dental membership (Tuohy). Like DPC, dental memberships do not bill third-party payers but consist of a regular fee (around $10-50 per month) (Raymond-Allbritten; Sadusky; Tuohy), which typically allows patients to receive two checkups, consisting of cleanings and X-rays, each year. Additionally, the dental professionals will give discounts on more extensive procedures such as extractions or dentures. Dental memberships typically replace dental insurance, in contrast to DPC which will usually supplement health insurance.

While these memberships don't have unlimited access to the provider, they still benefit both patient and provider. These memberships bypass third-party payers entirely, providing transparent pricing and simplifying the doctor-patient relationship. With people increasingly citing financial barriers to dental care (Vujicic et al.), these types of memberships may be a cost-effective method to increase access to dental care. Dental memberships are also beneficial for dental professionals by helping reduce overhead by eliminating the need to have the staff and infrastructure in place to bill third-party payers (Burger).

Direct Care in Montana

Montana is one of the few states that has not included a definition for direct primary care in state law. The Montana Legislature has passed several proposals to authorize DPC by amending Title 33 of the Montana Insurance Code, but both were vetoed (SB 149; SB 100).

In the 2017 veto letter, Governor Bullock claimed that DPC memberships "offer little or no added value to most consumers," (Office of the Governor 2017).

In 2017, Montana's Insurance Commissioner effectively authorized DPC by issuing regulatory guidance which clarified DPC practices and membership schemes operate outside of insurance and cannot be regulated as such (CSI Advisory Memorandum).

As a result of the authorization, at least seven DPC practices have opened for business across Montana (DPC Frontier 2019b).

As cities such as Missoula and Bozeman continue to grow, the ability to consult a doctor over the phone can ease a stressful workday. Parents can contact their DPC provider when they have a sick child, instead of bringing that child into a doctor's office and potentially getting them even more sick. For rural communities, who may not have access to a doctor in a nonemergency case, access to DPC can save time and travel costs and can give individuals and families the peace of mind that they have reliable access to a healthcare provider. This level of flexibility would be especially valuable for Medicaid beneficiaries who have challenges with transportation or finding other arrangements for children.

Recommendation

Permanently authorize direct primary care and other direct care models, creating a definition in state law.

Access and affordability are some of the healthcare issues that matter most to average Americans. Physicians are innovating, and the healthcare market in Montana is adapting to patients' needs by expanding direct care. Nationally, we have seen direct care models prosper, particularly in primary care, surgery, pharmaceuticals, and dentistry. These direct care models can vary quite a bit, but the central themes behind them are strengthening the doctor- patient relationship, reducing the influence of middlemen, and providing more transparency to the system. DPC is a growing model that can have positive impacts on patients, particularly for their health and for their wallets. This innovative form of care allows patients to have a close relationship with their medical professional at a membership fee which may be more affordable than paying the required premiums and co-payments necessary in a fee-for-service, third-party payer model.

By clarifying in law that direct care does not fall under insurance and should not be regulated as such, direct care will continue to be another tool in developing a better doctor-patient relationship and a supplement for Montanans who face healthcare plans with higher and higher deductibles.

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