

## FALL 2015 NEWSLETTER

**What are your thoughts about concierge medicine? In this newsletter, we take a close look at this evolving model, its history, and public reaction. We begin with a definition, look at alternative business models, examine pros and cons from both physician and patient perspectives, and suggest practical next steps for those who want to know more.**



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### **CONCIERGE MEDICINE: IS IT RIGHT FOR YOU? FOR YOUR PATIENTS?**

Not so long ago, mention of the “concierge model” of medical practice generated negative feedback. Many people attacked the concept as immoral, suggesting that it was elitist medicine suitable only for those wealthy enough to afford a fixed annual payment. Some insurance companies refused to allow concierge physicians to become network providers, assuming that they would automatically double dip, charging both the patient and the insurance company for the same service. During the past few years, we’ve seen a dramatic change. In fact, as of last count, there were more than twenty-five concierge or private physicians in the Triangle area of North Carolina. Most were primary care, but there were several surgeons in the mix.

Concierge medicine has come a long way since Dr. Howard Maron of Seattle, WA first launched what is now regarded as the first concierge practice in 1996. He called it MD<sup>2</sup> (“MD Squared”). It wasn’t until years later that the label concierge was attached to the concept. Today, concierge medicine is no longer politically incorrect. More and more physicians and patients like the philosophy, and payers have also become more accepting.

#### **Definition**

In the hospitality world, concierge means personalized service. We ask a hotel concierge to make dinner reservations, obtain theater tickets, and make other arrangements to accommodate the guests’ needs and schedules. We say thanks with a tip, paid before or after the service is rendered.

In the medical world, concierge medicine, also called retainer or membership medicine, is about more personalized and convenient services and about a different financial relationship between physician and patient. The patient pays an annual fee or retainer for enhanced care, as defined by the individual physician. For example, the enhancement may include unlimited office visits without an additional co-payment, easier access to appointments (e.g., less waiting time), easier and more immediate access directly to the physician (e.g., cell phone, texting,

online consultations), easier prescription renewal, home or hospital visits, and wellness services like annual executive physicals.

### **Optional Business Models**

Most of today's concierge medicine practices can be categorized as Fee-for-Service Care (FFC), Fee-for-Service Extra Care (FFEC), or Hybrid. In the FFC model, patients pay an annual retainer that covers most of the services that the physician provides in the office. There is an additional patient charge for vaccinations, lab work, X-rays, and other services that fall outside the retainer. Direct Primary Care (DPC) is often linked to the FFC model. We like to think of it as a no-frills, low-cost variation that includes fewer services in the fixed price. In the FFEC model, the patient also pays a retainer, but the physician charges the additional services that fall outside the retainer directly to the patient's insurance plan. Many but not all FFC and FFEC plans can be purchased with pre-tax dollars using Health Savings Accounts and/or Flexible Spending Accounts that are attached.

The third business model for concierge practices is often called a Hybrid model. The physician offers patients two choices:

- Paying a retainer for specific enhanced services with insurance billing for services not part of the concierge package, or
- Opting out of the enhanced services package so that the practice bills all covered services to the insurer

In all three business models described above, the practice determines what services are included in the concierge package. It also decides whether or not to accept cash and/or credit card payment. Finally, the practice decides on the frequency of retainer payments (e.g., monthly, quarterly, annually) and on the availability, if any, of discounted services.

### **Pros and Cons of Concierge Medicine: The Physician's Point of View**

Let's examine the pros and cons of concierge medicine from a physician perspective. Two major advantages are reduction in size of the patient panel and more control over income.

Several years ago, we assisted a well-respected Durham, NC solo practice internal medicine physician in converting his traditional practice to a FFEC model concierge practice. Our client's primary reason for making the change was to provide higher quality care for fewer patients. He now has more time to understand patient needs and to quickly follow up with diagnostic testing and treatment. He can make house calls and visit patients in the hospital when needed. Other concierge physicians share our client's point of view. In a conventional practice, the average panel size may be as large as 3,000-4,000 patients. In a concierge practice, the panel size may range from 50-1,000.

A known panel size and has a direct impact on net income. Retainer fees generate a large share of concierge practice income, so the physician has far more control over net revenue than in traditional practice settings where the dominant factor in revenue generation is reimbursement from public and private insurance companies. Concierge physicians interviewed for a 2013 *Wall Street Journal* article on concierge medicine indicated an average 40% reduction in overhead costs if they didn't take insurance payments at all!

What are the cons of converting to concierge medicine? Three potential negatives are the inevitability of some patients' opting out and choosing a different physician, the challenge of marketing to new patients, and expansion. Even the most experienced physician will not achieve a 100% conversion to the concierge model. For both the physician and for some patients, that reality means a dramatic change in a trusted professional and personal relationship that may be many years old. A second negative may be the challenge of attracting new patients. Concierge medicine thrives on a strong patient-physician relationship. It's one thing for a patient who trusts his/her physician to make the switch to a concierge physician because the physician changed his/her style of practice. It's a different challenge to convince patients who have no pre-existing relationship with the concierge physician to sign up. Adding providers to a concierge practice may also be challenging. Although the popularity of the concierge practice has grown, many physicians are risk averse. When push comes to shove, they prefer traditional practice models regardless of the bothersome shortcomings such as the pressure to treat more patients in less time.

### **Pros and Cons of Concierge Medicine: The Patient's Point of View**

We've already identified many of the advantages that patients experience when they select a concierge medicine practice. They are paying for better access to the physician, greater ease in making appointments and renewing prescriptions, expedited testing and results reporting, and other services, depending on the package being offered. If the physician has seen a huge influx of patients as a result of the Affordable Care Act, these advantages might be more important than ever before. Some patients may even benefit financially from switching to a concierge model. For example, an insurance policy with a high deductible might not pay for multiple office visits each year. If a patient has a known medical condition that requires multiple office visits, a concierge practice that covers unlimited office visits might actually cost less than the insurance.

Concierge medicine doesn't meet the medical or financial needs of all patients. If the package of services available from the concierge practice contains items that the patient doesn't need and won't use, the option may have little benefit. The cost of signing up might be prohibitive, particularly if the membership is for both a patient and his/her spouse. Some but not all concierge practices offer a discount on memberships by more than one person in a family unit. Some offer financial discount programs to assist long-time patients who want to remain with their trusted physician but can't afford the full cost of the retainer. Finally, the cost of the concierge membership might not make financial sense if the patient is covered by a low-deductible insurance plan and doesn't schedule many office visits.

## Next Steps for Physicians Interested in Concierge Medicine

If the concept of concierge medicine is intriguing to you at this stage of your career, learn more about the practices that are currently in place in your geographic area. The American Academy of Private Physicians ([aapp.org](http://aapp.org)) is a good resource. Concierge Medicine Today ([conciergemedicinetoday.org](http://conciergemedicinetoday.org)) is a news resource and information organization. Explore your options for getting started. Some physicians start their concierge practice on their own, seeking external professional advice for legal, financial, marketing, and administrative issues. Other physicians join forces with a larger organization that provides administrative support.

Satinsky Consulting, LLC has experience with concierge practices and can provide assistance on converting your current practice to a concierge model or on starting a new concierge practice. For additional information, visit our website at [www.satinskyconsulting.com](http://www.satinskyconsulting.com), send an email to [Margie@satinskyconsulting.com](mailto:Margie@satinskyconsulting.com), or call us at 919.383.5998.

## Other Resources for Your Practice

We've written many articles on practice management that appeared in *The Triangle Physician* in 2015. Click on the links below to access them.

- ["Boost Marketing Initiatives"](#)
- ["The Art of Communication-Part 1"](#)
- ["The Art of Communication-Part 2"](#)
- ["Revisiting HIPAA Compliance"](#)
- ["On Your Own...Or Part of a Larger Healthcare System?"](#)
- ["Strategic Business Planning"](#)
- ["Patient Satisfaction Survey"](#)