

## SUMMER 2016 NEWSLETTER

There's no right setting or business model for practicing primary care. Some physicians prefer to be part of a large health system, and others prefer a private practice setting. Within the private practice setting, more and more primary care physicians as well as physicians in other specialties are turning toward the direct pay model.



Margie Satinsky

In this newsletter we explore how direct pay practices work, the advantages to both physicians and patients, questions that physicians should ask to determine if the model is right, challenges, and suggestions for getting started.

### DIRECT PAY PRIMARY CARE – IS IT RIGHT FOR YOU?

How many direct pay primary care physicians are there in the United States? There's no definitive answer. Some direct pay primary care physicians pay a fee to be listed in online direct pay directories, but not all direct pay physicians choose that avenue. Some direct pay physicians label themselves according to the services that they offer (e.g. concierge medicine, integrative medicine, walk-in urgent care), not according to their financial model. Still others brand themselves as physicians who provide care at the place where the patient is located (e.g. home, extended care facility, hotel).

#### Definition, Services, and Pricing Options

Although there are variations in the way direct pay primary care works, one element is consistent. Patients pay the practice for the care they receive. Insurance companies no longer play the role as middleperson. The practice neither submits claims to public and private insurers nor receives reimbursement from them. That's not to say that patients shouldn't have health insurance and file claims for covered services. In fact, many direct pay physicians strongly recommend that their patients purchase health insurance to cover expensive services that the primary care physician doesn't provide such as diagnostic testing and hospitalization.

The direct pay primary care model lends itself to many variations. Here are examples. Some physicians, particularly those who serve a large number of uninsured patients, make arrangements with nearby diagnostic facilities (e.g. lab, X-ray) so patients who need those services can get them at a preferred rate. Still others offer patients a pharmacy benefit that may involve dispensing medication directly from the office. Other options are wellness benefits and/or an annual physical. Physicians who offer one or more of these options usually offer tiered pricing related to the option(s) selected.

We have also seen primary care physicians combine direct pay with concierge medicine and/or integrative medicine. The concierge approach features an annual membership fee that covers a specific package of benefits. Integrative medicine includes not only traditional medicine, but alternative services as well.

With respect to pricing, some direct pay primary care models keep it simple: the patient pays for all services provided directly by the physician at the time he/she receives them. More frequently, the direct pay practice offers patients the opportunity to pay a monthly, quarterly, or annual retainer fee for a set package of services. Like the concierge model where patients pay an annual membership fee, there's a contractual relationship with the physician. The retainer fee for direct pay practices is generally lower than the membership fee would be in a concierge practice.

### **Benefits of Direct Pay Primary Care to Providers and Patients**

Providers may reap several advantages from the direct pay model. Dr. Thomas White, owner of Hometown Direct Care in Cherryville, NC and former President of the North Carolina Academy of Family Physicians, set up his direct pay practice in 2015 after working within a large healthcare system. He spoke to us at length about the positive impact that the change to direct primary care gave to his career.

To Dr. White, the most important advantage of direct pay is the freedom the model gives him to take time to listen. Without the pressure to see a large volume of patients within a limited amount of time, he can provide more personalized primary care – his #1 goal in medicine.

Dr. White and other direct pay primary care physicians also avoid the hassles and unsatisfactory reimbursement rates from insurance companies, saving both time and money. By not participating in insurance networks, they have the freedom to determine the size of their patient panels and are not obligated to provide care to all those with insurance who call the office.

Here's another example. A young physician trained and certified in both family medicine and integrative medicine is in the process of opening a new direct pay practice that will allow him to be very creative about the package of services that he offers. The physician's expertise and interests, not insurance company requirements, will allow him to offer as much or as little as he chooses. This particular physician will not label his practice direct pay. Given the range of services that he plans to offer, he will brand his practice in a way that emphasizes services, not payment.

What about the patient perspective? Uninsured patients, patients who have insurance but prefer not to go to an in-network physician, and patients with high deductible plans like the direct pay model. Most importantly, direct pay primary care meets the needs of patients who prefer a more personal, less rushed, and more accessible relationship with their physician.

### **Do You Have What It Takes to Succeed?**

If the concept of direct pay primary care concept is appealing, don't rush out and do it just yet. Physicians who are most successful have an entrepreneurial spirit. Each individual needs to take the time to assess his/her own

capabilities. Michael Tetrault, Editor-In-Chief of *The Direct Primary Care Journal*, identifies the following five personal characteristics as indicators of likelihood to succeed:

- Tenacity to envision your practice and operationalize it as well
- Passion to communicate to patients the value they will get for their dollar
- Willingness to risk fear, uncertainty, and potential failure
- Ability and flexibility to plan and modify your business model.
- Willingness to take risks

We'll add patience (not patients) to the characteristics listed above. More often than not, the original vision for the direct pay primary care practice is a starting point, not the final business model.

## Challenges

Either starting a direct pay primary care practice or converting an existing practice to direct pay has many challenges. Two stand out – marketing and pricing. In both situations, effective marketing is essential. If a physician is not part of insurance networks, patients can't find your practice on a list of in-network physicians. It's essential to clearly communicate exactly how the practice works and to inform patients about the benefits they will gain. Look at some of the websites for direct pay practices, and you'll find examples of both clear and muddy language. Pricing, too, is a challenge. What demographic segment is the target? What prices can patients afford?

## Need Help with Getting Started?

There's no standard model of direct pay primary care. If you or your clients would like to explore options, contact Margie Satinsky, President of Satinsky Consulting, LLC ([www.satinskyconsulting.com](http://www.satinskyconsulting.com)) at **919.383.5998** or [Margie@satinskyconsulting.com](mailto:Margie@satinskyconsulting.com). The American Academy of Family Practice endorses direct pay primary care and has incorporated direct pay sessions into its continuing education programs. The Docpreneur Institute (DPI) is an entrepreneurial support system dedicated to bringing together the resources, support, and opportunities that physician entrepreneurs need to start, build, and grow their direct primary care and/or concierge medicine practices. The website is [www.TheDocpreneur.org](http://www.TheDocpreneur.org) and the phone is 770.455-1650.