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The Direct Approach

One response to growing health care costs and bureaucracy has been the emergence of 'direct primary care' practices in which patients bypass insurance companies, paying a flat monthly fee to a group of providers for basic health care.

by Jason Garcia

About 500 patients pay Dr. Lee Gross a flat monthly fee directly.

Since 2002, Dr. Lee Gross has run a traditional primary care practice in North Port, a fast-growing town in southern Sarasota County. Overseeing one of the last independent practices in the region, Gross, now 44, says he found himself mired in the "rat race" of modern medicine — spending each day grinding through a cattle call of patients and then fighting to get paid by their insurance companies.

"It was to the point where we were no longer practicing patient care," Gross says. "We were just following the algorithms decided by somebody else who had no idea what we were trying to do."

About six years ago, the owner of a local heating and air-conditioning company called up one of Gross' colleagues. He said he had 10 employees who were using the doctor as their primary care physician. The business owner was paying close to $1,000 a month for health care coverage for each. Why not pay the doctor directly? he suggested.

"It just made perfect sense. Why is he paying Blue Cross to pay us?" Gross says.

photo: Brian Tietz

"That got the ball rolling."

Gross and his partner, Dr. William Crouch, set about building one of the first "direct primary care" practices in Florida. First, they calculated what they would have to charge for their services in order to provide adequate primary care for patients and still earn a profit. It was a surprisingly cheap figure because, Gross says, his traditional rates included 60% overhead to cover dealing with insurance company billing.

Then they began reaching out to other physicians and health care providers in the region to whom they frequently referred patients and began negotiating direct rates. Those providers, too, were able to offer lower prices than their typical rates for insurers because Gross was promising patients who would pay upfront and in full — instead of requiring them to wait six to nine months for payment and run the risk that the claim would be denied. Gross and his partners offered MRIs for $200, CAT scans for $175 and chest X-rays for $25.

The new practice — which Gross named Epiphany Health — launched in 2010. Today, Gross says the practice enrolled about 500 patients in the program, who pay a flat monthly fee that covers an annual wellness exam plus up to 25 more visits per year and routine primary care services such as flu shots, Pap smears, mammograms and routine lab work. More sophisticated lab tests are purchased wholesale with savings passed to the patient. Other services are referred to specialists where they are told the exact price ahead of time.

Epiphany Health charges $50 per month per adult, plus $25 for the first child and $10 for any additional children, which works out to $135 per month for a typical family of four. Gross, who has also continued his traditional practice seeing patients covered by insurance, says his direct practice now accounts for about 30% of his patient volume — but about half of his revenue.

"It's a steady revenue stream. It's not volume dependent. Whether they come in the office or not, I'm still getting paid," he says. "That allows me to do things I wouldn't otherwise be able to do. A patient can email me their blood pressure reading, and I can manage their high blood pressure over email or by phone. Under a fee-for-service model, I don't get paid unless I bring them in to the office. It allows me to spend more time on a person that's really sick."

Other primary care doctors have had similar epiphanies. In fact, supporters of direct primary care say there are now at least 10,000 monthly-fee practices in 37 states (though the figures don't distinguish between concierge practices, which charge much higher rates and cater predominantly to affluent customers looking to work around their existing insurance). The median monthly fee is about $80 per month, according to the Direct Primary Care Coalition, an industry association. Some practices also charge small, per-visit fees of about $5 to $15 to deter excessive visits.

Driving the movement is the rising frustration of primary care physicians with the traditional fee-for-service health care model and bureaucratic headaches of dealing with insurance companies. "There was a time when over 50% of all physicians were primary care physicians and when over 50% of every class of medical school

students went into primary care," Dr. Garrison Bliss, founder of Seattle-based Qliance, told Florida lawmakers during a presentation on direct primary care earlier this year. "And now we've reached a point at which less than 10% of a graduating class wants to do primary care." Meanwhile, he says, "the people who have been doing it the longest are the most interested in getting out of primary care."

Bliss, who started what is believed to be one of the first direct primary care practices in the country in 1997, is widely viewed as the father of the movement. Qliance, the for-profit company he founded in 2007, now owns a network of clinics that are open seven days a week. Its doctors, all of whom are paid on salary, average approximately 800 patients each. The company's investors include Amazon founder Jeff Bezos and Dell founder Michael Dell.

Qliance also has a growing roster of large employers as customers, including Expedia and several unions, and has begun working with Medicaid patients in Washington state, via Medicaid contractor Centene. Bliss says large employers save on average 20% per patient, as dramatic reductions in the cost of inpatient care and specialist visits more than offset extra money spent on primary care.

Boosters say the economics of direct primary care work by removing routine work that is cheap enough that it shouldn't be insured. A direct primary care membership can then be paired with a wraparound, high-deductible plan that safeguards against catastrophes, much like a traditional home or auto insurance policy. "You don't insure the tires on your car. You don't insure the lightbulbs in your house," Gross says. "Why are we insuring basic services that we should be able to make affordable for everyone?"

Obstacles remain. They include state regulators, to whom collecting a monthly fee in exchange for health care looks an awful lot like insurance. Direct primary care supporters have been lobbying in state capitols around the country, including Tallahassee, for legislation to clarify that direct primary care contracts shouldn't be classified as insurance or subject to insurance regulation. They've enlisted allies such as the National Federation of Independent Businesses, which predominantly represents small businesses.

The issue appears to be gaining momentum in Florida's Legislature, particularly in the House, where conservative leaders who have repeatedly rejected calls to expand Medicaid under the Affordable Care Act have embraced direct primary care and other regulatory reforms that they say will ultimately bring down the costs of care and expand access.

"It's great to see while we're busy trying to build these Dr. Seuss-like contraptions to solve health care problems that the free market would come up with something so simple," Rep. Jose Oliva, a Republican from Miami Lakes who is one of the most powerful members of the House, told direct primary care supporters in a meeting earlier this year. "I hope we can be of help."