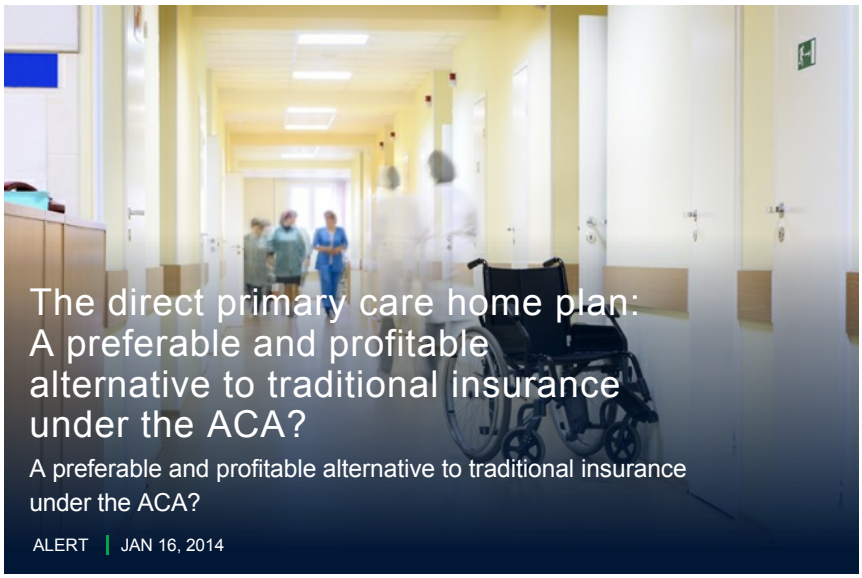

The direct primary care home plan: A preferable and profitable alternative to traditional insurance under the ACA?

A preferable and profitable alternative to traditional insurance under the ACA?

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Under the provisions of the Affordable Care Act (ACA), by March 31, 2014, most United States citizens must acquire a Qualified Health Plan (QHP), or pay a penalty. A QHP is an insurance plan that is certified by the Health Insurance Marketplace,[1] provides essential health benefits, follows established limits on cost-sharing (like deductibles, copayments and out-of-pocket maximum amounts), and meets **other requirements**. A little known provision of the ACA provides that QHPs may provide coverage through a qualified direct primary care medical home plan (DPC), paired with high deductible "wrap-around" insurance.[2] This represents a non-traditional alternative to standard insurance products for consumers under the ACA. As discussed below, a DPC may offer better medical care, at lower costs to patients, and at higher profit margins to healthcare providers.[3]

WHAT IS A DPC PRACTICE?

DPC medical practices are also often referred to as "retainer practices." Conceptually, they share many of the traits of their older cousin, the concierge medical practice. With one caveat: unlike in most concierge practices, DPC providers do not accept insurance.

In essence, a patient's enrollment in a DPC is similar to joining a gym. Under the most common iteration of the DPC model, for a monthly fee—usually ranging from $50-$100 per month—the patient becomes a member. For his/her monthly membership fee, plus a per visit co-pay ($10-$20), the patient gets relatively easy access to his/her physician and a menu of included services, generally covering routine and preventive primary medical care.[4] Depending on the scope and size of a practice, likely other add-on services would be available on a fee-for-service basis.

WHAT MAKES THE DPC MODEL PREFERABLE FOR PATIENTS?

Customer service in the medical field is rapidly becoming a competitive advantage and DPC practices grant patients ready access to their primary care doctors. Typically, the DPC physician coverage is 24-7, with patients even receiving a doctor's cell phone number for phone consultations. Thus, patients enjoy the attentiveness and customer service of the concierge practice, at a mere fraction of the cost. In addition to the low cost services provided by the DPC model, the DPC provider could negotiate favorable rates for its members for a multitude of other outside services, such as laboratories or imaging, further reducing the patients' out of pocket costs.

WHAT MAKES THE DPC MODEL PREFERABLE TO HEALTHCARE PROVIDERS?

Multiple aspects of the DPC model are appealing to healthcare providers:

1. The model is designed to allow physicians more time and resources for their patients.
2. The DPC model nearly eliminates one of healthcare providers' single greatest headaches (and costs): insurance claims processing. In many cases, insurance processing and other collection costs can consume in excess of 30 percent of a practice's revenue. The DPC practice is a cash/credit card business. Along those lines, the provider is not limited by insurance billing rules.
3. The monthly payments provide a predictable cash flow to providers. This is a favorable benefit that eludes most professionals and can eliminate costly cash flow solutions such as factoring receivables and use of credit lines.

SO, WHAT'S THE CATCH?

A selling point of this model is that it allows patients access to quality, routine healthcare without either significant out-of-pocket costs or insurance company involvement.[5] But the membership generally would not cover out of the ordinary medical care, such as specialist visits or catastrophic conditions or events. To bridge this gap, the ACA requires that a QHP-eligible DPC membership be paired with a low-cost, high-deductible "wrap-around" insurance policy.[6] Unfortunately, many insurance companies may not yet offer the wrap-around policies.

Another issue with the DPC model is that like other "capitated" healthcare models, a DPC practice requires both a critical mass of paying patients and careful cost management to achieve profitability. Most primary care physicians will admit that both the task of finding paying patients and controlling costs are easier said than done. It is likely that third party entities, like accounting firms, will enter the market to support those needs.

WHAT SERVICES MUST A DPC PRACTICE OFFER AND WHAT ELSE MUST IT DO TO BE ELIGIBLE FOR INCLUSION IN A QHP?

The Department of Health and Human Services (HHS) is still in the process of establishing specific DPC QHP criteria. If you are a healthcare provider interested in this model, contact us now so you are positioned to move as soon as HHS does.

OTHER NOTABLE POINTS

- The IRS does not (yet) recognize DPC membership fees as eligible Health Savings Account (HSA) expenses.
- States have struggled to determine how to regulate DPC practices. So far most have placed DPC practices under insurance regulators even though they are explicitly non-

insurance offerings. Most state legislatures have been silent on DPC to date. Only Oregon, Utah and Washington have passed DPC legislation explicitly stating DPC practices isn't subject to insurance regulations even though they have a flat monthly payment. Maryland has looked at DPC and provided tips from regulators to medical practices on how to ensure that the practice operates properly with **current regulations**.

- Though it's not explicitly slated in the ACA, and HHS regulations are not available, it seems likely that the IRS will treat DPC-modeled employer health plans—including the monthly membership fees paid by employers—the same way as other employer-provided health plans.

[1]A qualified health plan will need to have a certification by each marketplace in which it is sold.
[2]42 U.S.C.A. § 18021(a)(3) ("The Secretary of Health and Human Services shall permit a qualified health plan to provide coverage through a qualified direct primary care medical home plan that meets criteria established by the Secretary, so long as the qualified health plan meets all requirements that are otherwise applicable and the services covered by the medical home plan are coordinated with the entity offering the qualified health plan.").
[3]Although a DPC should be coupled with a wrap-around insurance policy, it is unlikely that such policy will cover services provided by primary care medical practices.
[4]For the DPC membership to be QHP-eligible, it must offer a set of included services.
[5]Generally, the scope of services is determined by the provider. However, if a plan is to be ACA compliant, a certain basket of services must be provided.
[6]Requiring patients to essentially "double up" might give them initial pause, but what everyone must realize is that many of the eligible ACA policies are high-deductible anyway. And traditional out-of-pocket doctor visits were never inexpensive.

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