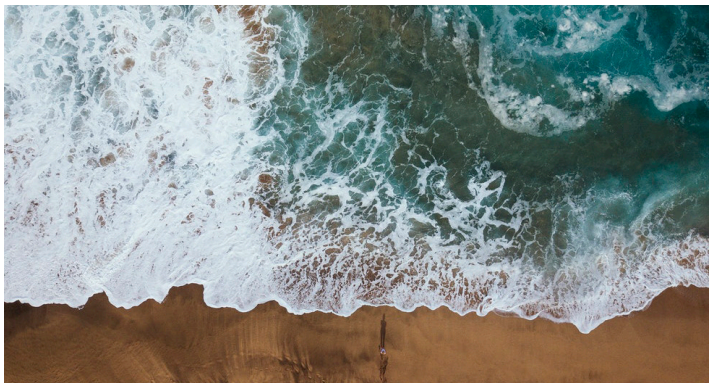
DIRECT PRIMARY CARE IS TAKING ROOT IN THE HEALTHCARE LANDSCAPE.

BY THERESE PASQUIER, DIRECTOR OF CLIENT SUCCESS

The direct primary care (DPC) model has been around for some 10 years. And while one could argue that DPC is still in something of a shakedown cruise, there's general agreement that the concept could play a big part of the success of self-funded healthcare plans starting in the very near future, if not already.

Here's the problem that's fueling the DPC movement: many primary care physicians are becoming increasingly unavailable to patients for more than a brief visit. Bowing to pressure to see more patients, primary care physicians offering 5- or 10-minute appointments aren't uncommon. The consequences of limited access to primary care are numerous, with the most unfortunate being a growing legion of members who are disengaged with their healthcare, and a higher rate of claims coming from more expensive medical care options like emergency rooms.



Neither trend is good for anybody.

Enter the direct primary care model. With DPC, primary care physicians work (most often) exclusively for a contracted employer and its employees (aka members). Instead of a co-pay or coinsurance, members pay a fixed flat fee or, in some cases, nothing at all, while their employers pick up the fixed fee and pay it directly to providers. No claims or third-party bills are generated. Ever.

"...the concept could play a big part of the success of self-funded healthcare..."

With fewer claims for primary care, savings for employers hover between 20 and 25 percent over the traditional insurance claims approach. For members, DPC offers easier access to providers (often same-day appointments and no wait time), longer face time with said primary care providers, and no co-pay, coinsurance, or deductible to worry about. Additionally, patients can get medications and lab tests done on-site with no separate fee—a convenience that also amounts to savings on those services over those offered by traditional primary care providers.

With mutual advantages between employer and employee, the general health of the employee membership becomes easier and less expensive to manage both in the long term and the short term.

But the concept isn't without challengers. The Internal Revenue Service blocks patients with a Health Savings Account (HSA) from using their HSA funds for DPC and from making tax-deductible contributions to their HSA. Doctors from the Association of American Physicians and Surgeons have taken that fight to the US Congress (H.R.365).

Left out of the party, traditional insurers are also waving red flags about some members having to pay twice—a

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DPC fee and a fee to a health plan—and the potential for overloaded providers at DPC practices. There's little evidence to support either concern at this point. On the contrary, one of the challenges of DPC is having enough patients to make the model profitable. Many employers simply don't have the membership numbers needed to support a DPC client without partnerships with other companies.

Despite those forces, the DPC movement is growing nationally. In particular, DPC is catching the attention of employers with self-funded health plans who exercise more control and flexibility to explore alternative ideas for savings and improving the member experience. Indeed, patient experience, a healthier membership, and plan savings are so-called "triple aim" goals for many employers with self-funded health plans, and DPC plays well to those objectives.

But there is an upside for traditional insurers: with fewer claims for primary care, there's less administrative labor and more money to be saved.

Today, there are nearly 800 DPC practices in the United States, up from just 125 practices only four years ago.

One of the early pioneers of DPC was Puget Sound–based Qliance. Established in 2007, Qliance was enjoying steady growth and strong backing from the likes of Amazon.com and Dell and had contracts for nearby clinical services with Expedia and the Seattle Fire Department, among others. Then, rather sudden ancillary headwinds grounded the business. Qliance closed its practices in May 2017, but in its 10-year run, it had largely validated the DPC model.

The Qliance story aside, torchbearers for DPC aren't hard

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to find. Witness Boston-based Iora Primary Care, whose model takes the monthly fee responsibility away from the employee and puts it in the employer's hands or with Medicare plan insurers.

Seattle-based Vera Whole Health uses a DPC approach to service thousands of employees with on-site clinics at Seattle Children's Hospital and the Bill & Melinda Gates Foundation. Its partnership with Virginia Mason Medical Center gives Vera and its DPC patients an outlet for specialty care.

With more than 50 locations in 11 states, Paladina Health (my former employer) is demonstrating patient acceptance of the DPC model through its growth. Paladina claims that it served 90,000 patients in 2017. That's more than double the patient count of 42,000 in 2016. A former subsidiary of DaVita, Paladina Health is now part of New Enterprise Associates, a Silicon Valley venture capital firm which hopes to open more clinics around the country.

At a time when healthcare costs continue their upward spiral, new ideas to curb expenses and create healthier members will come and go. But the battle-tested direct primary care model looks to be a formidable challenger that could go the distance against the traditional (if not a bit wobbly) healthcare players.

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