Specialty Physicians and Health Reform: Growth of Non-Insurance Physician Practices

Executive summary

The regulatory requirements of the Affordable Care Act (ACA) have spurred the growth of physician non-insurance practices, where primary care physicians and specialty physicians contract directly with patients in retainer or concierge-style arrangements. Understanding the financial implications of this change is essential to the success of every specialty physician.
Growth of non-insurance physician practices

A number of emerging physician practice models have grown up around the regulatory requirements of the Affordable Care Act (ACA), including a small but growing number of primary care physicians and specialists who contract directly with patients and have stopped accepting insurance.

Proponents say working under a traditional insurance model was unsustainable for them because it was driven by patient volume, leading to 12-hour days, reams of paperwork, exhaustion and career burnout. Most physician practices deal with increasing overheads like salaries, taxes and medical malpractice insurance. The only way to keep up was to see more patients because insurance companies tend to keep reimbursements at a fixed rate.

Primary care physicians have around 2,500 patients, surveys indicate, and may see 24 or more patients each working day, with brief consultations that may last only 15 minutes. This erodes perceptions of quality of care, which can break trust between doctors and patients, advocates say.

Direct contracting concierge-style practice

Citing data from the health information website Medscape, U.S. News & World Report estimates that about 6% of physicians were in concierge or cash-only practices during 2013, up from 4% in 2012. Nevertheless, this number is “growing very rapidly,” according to Mark Pauly, a professor of healthcare management at the Wharton School at the University of Pennsylvania.

“They think this is a more noble way to deal with a patient population than trying to run everything through insurers ... a way to keep it affordable and accessible,” Pauly says.1

Adding regular insurance to concierge coverage

While some insurers may be building special health plans around concierge practices, most concierge doctors still advise patients to get insurance for catastrophic coverage on top of the monthly concierge plan.

This plays into another factor that could fuel growth in concierge practices — something advocates call a “little-known clause tucked into the healthcare law, which allows direct primary care to count as ACA-compliant insurance, as long as it’s bundled with a ‘wraparound’ catastrophic medical policy to cover emergencies.”2

And having insurance on top of the monthly concierge plan doesn’t necessarily mean patients won’t save money. Most have plans with a deductible of $5,000 or more that they’ll never hit. Out-of-pocket costs may actually be less if a patient visits a doctor multiple times a year and the concierge plan offers these services at a reduced rate.

Benefits of non-insurance

The growth of non-insurance practices may seem counterintuitive at a time when most Americans are being mandated to have insurance. But the trend toward direct-contracting concierge doctors, who may be more accessible, may increase if physicians are flooded with new patients, proponents argue.
Other benefits associated with the concierge model include savings from the elimination of insurance billing, the value of having more time to focus on patient care, the ability to purchase medication and order lab work at bulk prices, and the potential to work shorter hours.

**Risks of non-insurance**

Opponents underscore the risks of concierge practices: Specialists and primary care physicians with an abundance of Medicare patients risk leaving patients behind when switching to a concierge practice. What’s more, doctors leaving Medicare must wait two years to reenroll, and these same doctors will lose the built-in network of referrals that comes with an insurance plan.³

**Specialty physician non-insurance practices**

Primary care and family physicians have been the primary beneficiaries of the concierge model so far, but the path of specialty physicians could follow a similar trajectory.

“I’m convinced that if a specialist has enough patients under insurance, he or she can get the same number of patients under a concierge model,” says Josh Umbehr, CEO and physician at Atlas MD, a direct primary care provider in Wichita, Kansas.

Umbehr says he favors the use of the term “direct care” when referring to concierge services in order to include specialists, rather than the often-used “direct primary care.” Specialists are entering the fray of concierge medicine along with primary care providers, though not as quickly and with some specialty-specific variations.

Lower-cost concierge practices like Atlas MD offer reduced rates by focusing on primary care procedures, from physicals to EKGs. Doctors will do house calls at no extra charge, medicine and lab work charges are passed on at wholesale prices, and doctors negotiate with specialists and labs to secure discounts when advanced medical technology is needed, such as MRI screenings or colonoscopies. Each doctor is responsible for an average of 500 to 600 patients, and monthly fees range from $50 to $100, far less than many high-end concierge practices.

Umbehr believes the direct model can be suitable for a majority of specialty physicians, including urologists, neurologists, orthopedists, endocrinologists and psychologists, but it would be less appropriate for others, such as trauma surgeons.

A monthly retainer and fee-for-service hybrid model would be a more effective approach for most specialty practices, rather than the monthly retainer model championed at Atlas MD. Monthly retainers would apply to cases of chronic conditions requiring ongoing specialist care, but conditions requiring a one-time operation could be handled under the fee-for-service model, he says.⁴

Umbehr illustrates the point by citing a nearby team of surgeons, The Surgery Center of Oklahoma, which incorporates a direct fee-for-service model. Patients can simply scroll the center’s website to find pricing on every procedure.

“‘We believe a different approach is necessary, one involving transparent and direct pricing, which means the patient knows exactly what the cost of the service will be up front,’” the surgeons explain on their website. “If you have a high deductible or are part of a self-insured plan at a large company, you owe it to yourself or your business to take a look at our facility and pricing which is listed on this site. If you have no insurance at all, this facility will provide quality and pricing that we believe are unmatched.”⁵
Getting help from specialty physicians without insurance

Blogger Aurora Almendral at thebillfold.com provides similar, consumer-focused insights about obtaining healthcare from specialists without insurance in New York. “Sometimes specialists don’t cost much more than a generalist, depending on what you need,” she writes. “The endocrinologist I go to in New York charged $300 for the initial consultation, then $175 for each visit afterwards. While general practitioners are accessible and great, it’s nice to have a specialist who knows a lot about my disease. If you’ve had insurance before, you may have heard that you need a ‘referral’ before going to a specialist. That’s insurance provider bureaucracy, and you don’t need one if you don’t have a health insurance company to answer to.”

Surviving health reform: What will you do?

The sweeping changes of health reform have inspired specialty physicians to do business in new and creative ways, including non-insurance practices.

Implementing the dizzying array of new regulatory, administrative and technological requirements will bring a paradigm shift — a new way of doing business that will shake the foundations of specialty physician practice.

Making the right move will require due diligence, especially if you expect to remain in specialty practice and preserve your financial and clinical autonomy. You’ll need to examine every financial implication and evaluate emerging practice models, such as direct contracting concierge-style practices and accountable care organizations.

Getting the right financial guidance from a proven banking expert can help you survive and thrive in this period of unprecedented change, and your dedicated Bank of America Merrill Lynch client manager is on hand to help.

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