

## **More Doctors Choose to Forego Insurance**

Practices Bring Concierge-Style Medical Services To The Middle Market

**By Emma Gallegos**

Dr. Albert Fuchs was a successful physician by any measure. But as his Beverly Hills practice grew to more than 2,000 patients, he found himself headed for a burnout.

Thanks to stagnated insurance reimbursement rates and the ever-growing administrative demands on primary care doctors, who typically earn much less than specialists, Fuchs found himself cramming as many patients in as possible.

"I hated the volume, and my patients hated the volume," he said.

Rather than quit medicine, Fuchs joined a growing number of physicians who have stopped accepting health insurance entirely.

Instead, his patients enroll as members of his practice and, as with a gym membership, they pay a flat monthly rate of \$210 per month, whether or not they see him. In return, they have a doctor available on retainer, and an assurance that all their routine care is covered.

This kind of "direct primary care" practice isn't just a Beverly Hills phenomenon. Solo ventures like Fuchs' are switching to cash-only practices across the state in Palo Alto, Long Beach, Fresno and elsewhere. It's unclear how many independent physicians have gone this direction because they have operated under the radar of state regulators so far. But that's likely to change, health care legal experts said, as the trend catches up with larger-scale, established services and drives this new wave of health care providers to tap the expertise of California attorneys to navigate the state's regulatory scrutiny.

One such firm already operating in this arena is Qliance, a Seattle-based company looking to expand its practice into California. The firm consulted with health care attorneys as well as state regulators to determine what kind of license, if any, a company should have if it takes on some of the risk traditionally handled by insurance companies.

Direct primary care is an outgrowth of what's known as "concierge" practices. Concierge practices target wealthy clientele, who pay a doctor a retainer on top of their regular insurance for top-of-the-line primary care, home visits and a spa-like atmosphere.

Direct primary care, with its lower rates and traditional medical services, is

considered the middle-class version.

Qliance co-founder Norman Wu said the company's membership approach replaces the need to have expensive health insurance just to cover basic, preventative medical care, such as medical screenings and annual check-ups.

"Imagine if we had to use car insurance to pay for new batteries, tires and oil changes, how much more expensive all of those things would be," Wu said.

Qliance, which opened its first clinic in 2007, now has three clinics and 12 practicing physicians in the Seattle area. It is looking at California, Texas and Massachusetts, Wu said. Like Fuchs, Qliance physicians charge patients from \$44 to \$84 each month.

Direct primary care also got a boost from lawmakers last year. Under the federal health reform law, these kinds of memberships can sell their coverage alongside traditional health plans in 2014, when the controversial mandate to buy insurance takes effect. California will be creating its own exchanges — marketplaces where individuals and small businesses that aren't insured can buy health coverage.

Being allowed to participate in health reform is key for Qliance to expand, Wu said.

But questions about how these practices should be regulated still remain. "We're not insurance, but we need to be sure we don't trip insurance regulations," Wu said.

In Washington state, lawmakers passed special legislation so direct primary care practices don't require oversight from insurance regulators. In California, none of the agencies that regulate health plans have any guidelines for dealing with these practices.

The California Department of Managed Health Care is reviewing whether Qliance might require a license like other managed care plans in the state. The state scrutinizes these plans and regulates them heavily to make sure they have enough money in reserves to pay for the services they promise patients, who pay up front.

"The requirement for any licensure proceedings would hinge on the company's acceptance of prepaid fees in return for arranging for health care services," said Lynne Randolph, a spokeswoman for the Department of Managed Health Care.

How the state responds to Qliance will set a precedent for other groups and small physician practices.

"There are other providers that are definitely operating in California dealing with

these issues, and they're not on the radar," said Jill Gordon, a partner at Davis Wright Tremaine LLP.

Gordon is working with Qliance to help them deal with regulatory issues in California.

"The question becomes as the department starts thinking more about alternative providers and payment models, do they bring more [practices like these] under their scope of jurisdiction?" she said.

Marian Mulkey, director of the Health Reform and Public Programs Initiative at the California Health Care Foundation, said state regulators may scrutinize firms like Qliance with an eye toward problems state regulators had with medical groups in the late 1990s and early 2000s.

At that time, groups of physicians tried to shoulder more financial responsibility for patients' care, taking on the roles traditionally performed by insurance companies. Under that system, health plans paid the doctors' groups' a fixed amount to care for members. The problem was many medical groups snapped under the pressure of that risk and more than 700,000 patients were abandoned in the middle of care. After that experience, California created stricter financial regulations to make sure medical groups are financially prepared to take on risk.

Regulators are likely to be concerned about whether these new direct primary care practices have the financial stability to go forward, especially if they were to be marketed as part of a high-deductible health insurance product, Mulkey and other experts said.

As for solo physicians like Fuchs, for now they are focused on keeping it simple.

Fuchs said both he and his patients are much more satisfied with his new practice.

The Beverly Hills physician has reduced his workload down from around 2,000 to 400 patients, and he offers same-day appointments. Because he only sees a dozen patients in a day, he can afford to sit down with a patient for a leisurely half-hour or more.

He even does something that terrifies the typical primary care doctor. He gives patients his cell phone number.

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