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Physicians Abandon Insurance for 'Blue Collar' Concierge Model

Once the bastion of high-end specialists, more and more primary-care and family physicians are launching concierge practices for middle- and lower-income patients.

A growing number of primary care physicians have stopped accepting insurance in favor of a membership-based "retainer" or "concierge" model.

By Alan Neuhauser | April 1, 2014 | One comment | SHARE

No insurance? No problem.

A small but growing number of primary-care physicians has stopped taking insurance — and they may be radically reshaping how American families get their medicine.

“We’re running a business that’s profitable and caring for patients the way we’ve been trained to care for patients,” says Dr. Jonathon Izbiciki, owner of Izbicki Family Medicine in Erie, Pa. “We have our voices back, and we’re masters of our profession. There’s nothing better than that.”

For years, the no-insurance — or “retainer” or “direct-care” — approach was almost exclusively reserved for the wealthy. Specialists or physicians who catered to deep-pocketed patients would charge a lofty monthly “membership” fee, and in exchange, offer “luxury” amenities like same-day appointments, little to no wait times, more time with the doctor and consultations by phone, email, Skype or even text-message.

But with industry changes looming and the implementation of the Affordable Care Act bringing an influx of newly insured low-income and Medicare patients, some primary-care and family-practice physicians have set out to change this so-called “concierge” model: in short, by offering the very same services at a mere fraction of the cost.

“We’re like the blue-collar concierge,” Izbicki says.

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About 6 percent of physicians were in concierge or cash-only practices last year – up from 4 percent in 2012, according to the health information website MedScape. Nevertheless, that number is “growing very rapidly,” says Mark Pauly, a professor of health care 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,” Pauly says. “It’s a way to keep it affordable and keep it accessible.”

Izbicki and his brother, Dr. Harry Izbicki, embraced the retainer model in September. For years, they’d worked under a traditional insurance model, first as employees of another practice in Erie, and then at the doctor's office they opened in April 2010.

The work, they found, was relentless.

“My office hours would start at 8 o’clock in the morning, and I wouldn’t get home until 8 o’clock at night,” Jon Izbicki says. “I’d see patients from 8 to 5, and then be at the office another three hours doing paperwork or typing up my notes.”

The reason, he said, was patient volume. Insurance companies essentially keep their reimbursements at a fixed rate, so one of the few ways to keep up with rising overhead — from salaries and taxes to medical malpractice insurance — was to see more and more patients.

Harry Izbicki, left, and his brother Jonathon have converted their practice in Erie, Pa., into a retainer or direct-care model.

“The system is built to be a production line,” says Dr. Aly Cohen, an internist and rheumatologist in Monroe Township, N.J., who plans to switch to a retainer model July 1. "It’s just an unsustainable model.”

Primary care doctors have an average of 2,500 patients, surveys show, and the Izbicki brothers were no different. At their peak, they’d see about two-dozen patients a day each, with consultations often just 15 minutes long. Doctors at other practices, meanwhile, saw even more patients — sometimes as many as 30 or 40 a day, they say.

“The quality of care starts to go down, or the people’s perception of care starts to go down, they don’t feel safe, and the trust between patient and doctor starts to slip,” Izbicki says.

He and Harry first read about concierge medicine in 2008, but it wasn't until more recently that they learned about Atlas MD, a lower-cost retainer practice that opened in September 2010 in Wichita, Kan. There, each doctor is responsible for just 500 patients -- a mere 5 percent of the national average -- and the membership fees are far less than the typical high-end concierge practice.

“We realized that insurance paying for primary care is akin to using car insurance to try to pay for gasoline,” says Dr. Doug Nunamaker, Atlas MD’s chief medical officer. “It’s something that’s otherwise fairly affordable until you try to pay for it with insurance: My premiums would be much higher because they wouldn’t know how much gas I would need, they would tell me where to get gas, and I’d have to preauthorize trips out of town.”

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At Atlas MD, members who are 20 to 44 years old pay $50 a month, those 45 to 64 pay $75 a month, and those 65 and older pay $100 a month. Children and teens up to 19 years old cost just $10 a month. A typical family of four, in short, pay about $170 a month.

The membership covers most primary care procedures, from physicals and EKGs to strep tests and stitches. The doctors will even do house calls at no extra charge. Medicine or lab-work, meanwhile, carry wholesale prices: $5 for heartburn medication, for example, or $6 for a prescription to treat migraines. Blood work that might cost $30 out of pocket under an insurance plan instead costs just $2.

“I can order-in medicines because the clinic’s income is based on membership,” Nunamaker explains. “I don’t need to make money dispensing medications — I can get 1,000 Prilosec pills for $55, and I can dispense them to you for a couple dollars. It’s significantly less expensive.”

For preventative measures that are free under the Affordable Care Act, like vaccines and colorectal screenings, Atlas MD and Izbicki Family Health help make arrangements for their patients, such as through referrals to local in-network clinics or hospitals

Nunamaker and his partners still strongly urge patients to take out high-deductible insurance for emergency coverage in the event of a catastrophe. Buying an insurance plan, though, doesn’t mean patients end up paying double on top of their membership fees.

In fact, between the hefty copays that patients would otherwise have to cough up at a doctor’s office under a high-deductible insurance plan — or the lower copays but higher premiums they’d be charged for more comprehensive coverage — patients stand to save money or break even under the low-cost retainer model.

“The average number of doctor visits per person per year is three to four,” Pauly, the Wharton professor, explains. “Imagine, in the standard insurance world, that the doctor would charge $150 per visit. If we did four visits, that’s about $600 a year, or $50 a month. There’s economic logic to that.”

And plenty of other benefits come with the retainer model, too, proponents say. Doctors immediately save tens of thousands of dollars that they’d previously spent on insurance billing, they have more time to focus on patient care, they get to buy medication and order lab-work at bulk prices, and they get to end their days far earlier.

“I get home by 5 or 5:30 at the latest,” Izbicki says. “My paperwork is complete. I leave smiling, I’m happy, I’m not grumpy and irritable. My life has gotten a lot better. I feel like a professional, that I’m doing what I signed up for.”

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Doctors Michael Palomino, Josh Umbehr and Doug Nunamaker launched Atlas MD, a retainer practice, in Wichita, Kan.

The risks, though, are substantial. At Cohen's practice in New Jersey, about 70 percent of the patients rely on Medicare, which means that many, if not most, might be left behind when she switches to the retainer model. What's more, doctors who choose to leave Medicare cannot re-enroll for two years, and the ready-made referral network that comes with an insurance plan also disappears - - concierge doctors have to take on the business of marketing themselves.

"It's go big or go home," Cohen says.

Izbicki and his brother face a similar challenge. Having already leveraged "everything we owned" to open Izbicki Family Medicine in April 2010, and still facing "massive" student loan debts, choosing to convert to the retainer model was "one of the most pivotal and difficult decisions" he and his brother ever made, he says.

"The humbling reality is that if this conversion to direct primary care practice failed, we would lose everything," Izbicki wrote in an email. "It would be hard to justify such a risk if things were so great in primary care, so when the going gets tough the tough gets going."

Together, these projects signify a new period in American health care, one of "radical experimentation," says Tom Baker, professor of law and health sciences at the University of Pennsylvania Law School.

"There's going to be a period of 10, 20, 50 years in which we're going to be trying to figure out how to deliver health care that's affordable without consuming too many social resources," he describes. "This experiment is really interesting."

TAGS: health care, health care reform, insurance, Medicare, medicine, family health

Alan Neuhauser is an energy, environment and STEM reporter for U.S. News & World Report. You can follow him on Twitter or reach him at aneuhauser@usnews.com.

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