Twin Cities doctors bypass insurers; patients charged directly for care

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Dr. Gary Ivins checks the ears of Norma Noonan at Southdale Internal Medicine in Edina on Wednesday, January 23, 2013. Ivins and colleagues will no longer accept payments from insurance companies and will focus instead on cash-paying patients. (Pioneer Press: Jean Pieri)

Dr. Merlin Brown is sick and tired of working with health insurance companies.

At the same time, Brown and his physician colleagues are worried about the outlook for Southdale Internal Medicine, an independent medical practice that has been treating patients in Edina for more than 40 years.

So, rather than join the trend of independent doctors securing their financial future by merging with large health systems, Southdale Internal Medicine is trying something different.

Starting in April, the practice will ask patients to pay doctors directly for their care and no longer will accept payments from insurance companies except for Medicare.

"We believe that insurance companies are making it increasingly difficult to practice patient-centered medicine," the doctors in the practice wrote to patients this month.

The doctors are joining the small but growing number of physicians who since the late 1990s have tried going the "direct pay" or "concierge" route, where doctors typically care for a smaller group of patients who are willing to pay for easier access to their physician.

It's a trend that continues even though the federal health law of 2010 will require most patients in the country starting next year to buy health insurance -- a rule that's expected to bring millions of people into the health care system.

"I think you're going to see (direct pay) in increasing numbers as soon as those 30 million people start flowing into doctors' offices," said Dr.

Dudley McLinn of Specialists in Internal Medicine, a Minneapolis group of three doctors that started asking patients to pay out-of-pocket for care more than 10 years ago.

"There's huge dissatisfaction" among primary care doctors, McLinn said. "There's too much regulation and too much work for too little compensation. These doctors who aren't very happy aren't going to want to take care of even more people."

McLinn's group -- which doesn't even take payments from Medicare -- plans to add a fourth physician later this year. Meanwhile, a Fridley-based physicians group called Multicare Associates Inc. is rolling out a program where patients

or their employers can pay $118 per month for better access to physicians.

"There's no barrier to getting your primary care because you've already paid for it," said Matt Brandt, the chief executive officer at Multicare Associates, which still works with health insurance plans.

DIFFERENT MODELS

Nationally, there are about 4,400 physicians who have transitioned to business models where patients pay doctors directly, said Tom Blue, executive director of the American Academy of Private Physicians. The number grew by about 25 percent last year, Blue said.

In a 2010 report, researchers from Georgetown University and the University of Chicago described the trend as "retainer-based physician practices," where physicians charge patients a monthly or annual fee. In return, patients get everything from longer and same-day appointments to extensive annual physicals and their doctor's cellphone number.

As is true in Minnesota, retainer-based practices across the country come in different shapes and sizes.

In one model that researchers called "fee for extra services," patients pay an annual fee to be part of a doctor's panel of patients, and they receive an annual physical in exchange. Patients in these practices continue to pay for other office visits, researchers wrote, and the physicians often still participate in insurance plans.

In a second model called "fee for care," patients pay a larger up-front fee that covers all primary care; physicians in this model usually don't participate in insurance plans or Medicare.

A final model is a hybrid, where the physician still sees nonretainer patients but charges a fee to those patients who want increased access to services.

"A typical retainer fee appears to be about $1,500 to $2,000, although the physicians we interviewed charge from $600 to $5,400," the researchers wrote.

PROS AND CONS

Even with the changes coming at Southdale Internal Medicine, Minnesota has not seen many doctors join the direct-pay trend, said James McManus, a spokesman for Blue Cross and Blue Shield of Minnesota. The Eagan-based health insurer, which is the state's largest, has long-standing contracts with 97 percent of all hospitals and doctors in the state, McManus said.

While there's not a lot of interest locally in physicians moving to a direct-pay model, McManus said, there are many examples of doctors working more collaboratively with health insurers in new business arrangements designed to improve quality and cut costs.

As for health plan rules and regulations that Brown and his colleagues say are getting in the way of patient care, McManus argued that patients benefit from the requirements.

"All medical policies are designed and implemented to ensure that our members receive the most safe, effective and appropriate treatment for a given condition," he wrote in an email. "Blue Cross partners with providers in the community to make sure that these policies drive the most patient-centric care possible."

The direct-pay trend has generated controversy. Some physicians and patients argue that doctors who ask patients to pay for better access aren't helping to solve problems in the current health care system.

"There's no reason whatsoever that any individual should be forced to pay extra for this essential care," wrote Dr. John Goodson of Harvard University in a letter published by the Boston Globe newspaper. "A change toward elitism in the delivery of health care is pernicious. It undermines the most fundamental commitments of our profession."

But Brown of Southdale Internal Medicine argues that moving to a direct-pay model actually could help improve primary care by attracting more physicians into the field.

"We have an access problem now because no one wants to go into primary care due to low pay and poor job satisfaction," Brown wrote in an email. "Returning to being a professional -- and working for patients, not insurance companies -- will restore job satisfaction."

TRYING TO SIMPLIFY

Currently there are about 9,000 patients who receive care from the five doctors at Southdale Internal Medicine. Brown says the number likely will shrink, although he's been surprised about the support he's heard from patients. Doctors sent

a letter in early January that explained the change.

The relationship between doctors and patients should allow for easy communication, Brown and his colleagues wrote, yet the physicians believe insurance companies are getting in the way.

To enhance doctor and patient communication with Medicare patients, the practice will charge an additional $300 fee for personalized services not covered by the federal heath insurance program. Extra services include phone consultations, family conferences, email, texting and communicating through an online phone service such as Skype.

Non-Medicare patients can select one of three options.

Patients can simply pay as they go. The practice has posted a fee schedule that charges, for example, $80 for a 20-minute office visit and $5 to $40 for a variety of lab tests. Injection costs range from $25 for the flu shot to $200 for the shingles vaccine.

Patients can pay a $300 annual fee for enhanced electronic access to doctors, such as cellphone access, text messaging and online communications and pay per-service for face-to-face encounters.

Finally, patients can pay a $2,500 annual fee that covers all primary care they might want from the practice -- no fees for individual visits, tests or injections.

Doctors at Southdale Internal Medicine recognize they are dropping out of the health insurance channel just as federal law is on the verge of requiring that most people in the United States purchase coverage. Those health plans, in turn, might very well cover the cost for many services that the doctors will ask patients to buy out-of-pocket.

Does this worry the doctors?

"No, because the system is going to collapse on itself," Brown said in an interview.

Many health insurance plans have high deductibles or some coverage for services provided by non-network doctors, Brown said. So, his medical practice will help patients obtain whatever reimbursement or credit might be available from insurers. The details will depend on a patient's health plan.

Brown says that he and his colleagues want their practice to function like a regular business -- one that prices services according to the cost of providing them and what patients are willing to pay. That contrasts with the payment system established by insurance companies, which includes a complicated set of codes for services and uncertainty about whether services will be reimbursed.

To make the point, Brown describes what Wal-Mart stores would feel like if customers shopped as they do for health care.

"You'd take all the prices off the shelves, and all the customers would come in with 50 different payers with more than 50 different rule sets." he said. "The customers aren't sure what products they can get or when or how often. Wal-Mart isn't sure either.

"So, everything is coded," Brown said. "And it is so complicated that they hire more and more consulting companies to analyze the data just to figure out what the cost of shampoo is."

Starting April 15, patients will be asked at the end of their visits to Southdale Internal Medicine to pay for all services rendered that day. Cash, credit cards or debit cards will be accepted.

"The insurance restrictions and requirements are long and getting longer and longer and cost us more and more money," Brown said. "I want to be free from that, because I want to be able to treat my patients the way I see fit and offer them the service that I think is necessary."