The Cash Only Practice: Reinventing an Old Practice Model

Welcome to the first module in the New Business of Medicine Series, “The Cash Only Practice: Reinventing an Old Practice Model”
Pre-Test Question 1

What type of model does a cash-only practice follow?

a) HMO model  
b) Private Insurance model  
c) Self Pay model  
d) Medicare only model

Pre-Test Question 2

According to a national study, roughly, what is the annual cost per physician for interactions with health plans?

a) ~$20,000  
b) ~$70,000  
c) ~$120,000
Pre-Test Question 3

Which of the following is an incorrect statement regarding cash only practices?

a) Cash only practices may choose to accept some insurance
b) Cash only practices may choose to accept Medicare
c) Cash only practices will bill insurance companies for all patients
d) Cash only practices typically have lower overhead than traditional practices that accept insurance

Pre-Test Question 4

What are some potential benefits for patients in a cash-only practice?

a) Same-day appointments
b) Quickly returned phone calls
c) Short in-office wait times
d) Longer appointments
e) More meaningful relationship with the physician
f) All of the above
Pre-Test Question 5

What type of information should NOT be included in marketing collateral when transitioning to a cash-only practice?

a) How the practice will change to benefit the patient
b) How the physician will be more accessible
c) How the transition will be achieved
d) The physician’s philosophy on quality care
e) How the transition will improve revenue for the physician
f) All of the above

Pre-test Question 6

To be a Medicare non-participating provider, the charges can be no more than what percent of the Medicare fee schedule?

a) 100%
b) 140%
c) 115%
d) 125%
Pre-test Question 7

In the first year of transition to a cash only practice, what percentage might one expect revenue to drop?

a) 10-20%
b) 30-50%
c) 60-80%

Pre-test Question 8

Which of the following are viable methods for determining rates in a cash only practice?

a) Researching what other physicians charge
b) Reviewing patient records to determine the amount of time it takes to provide quality care
c) Working backward from your ideal patient base and desired income and reconciling with reasonable expectations from patients
d) All of the above
Dr. Gordon Moore
Ideal Medical Practices

The Cash Only Practice:
Reinventing an Old Practice Model
Cash-Only Overview: Definition

- Historically, self pay is a model that includes only the physician and patient in the exchange of compensation for medical care provided
- In recent times, physician practices that do not accept insurance are referred to as “cash-only”, though the model is still self-pay
- Very little exists in terms of statistics regarding the number of cash-only practices...however, according to the CDC, in 2005-06, 11% of physicians had no managed care contracts

Source: Self pay discussion paper. AAFP 2006
Weiss, G. Is Cash Only medicine the next big thing?. Medpage Today. March 19, 2009

Cash-Only Overview:
Two Types of Cash-Only Practices

- Pure cash-only: No insurers and no third party vendors.
  - However, a practice may provide their insured patients with a completed CMS-1500 form to enable them to file their own claim
  - The current cash-only models accept credit/debit card, cash or check
- Cash-only with insurers: Physicians contract with a limited number of better paying health plans and submit claims to them, but require other patients to pay at time of service
  - This limits reductions in overhead but does ensure that the patient load is large enough to sustain the practice

Source: Self pay discussion paper. AAFP 2006
Stone, T. Cash Only practice: Could it work for you? Family Practice Management 02/06
Why Cash Only: Primary Care Statistics

Based on The Physicians’ Foundation Survey released November 2008

• An overwhelming majority of physicians – 78% – believe there is a shortage of primary care doctors in the United States today.

• 49% of physicians – more than 150,000 doctors nationwide – said that over the next three years they plan to reduce the number of patients they see or stop practicing entirely.

• 94% said the time they devote to non-clinical paperwork in the last three years has increased, and 63% said that the same paperwork has caused them to spend less time per patient.

• 82% of doctors said their practices would be “unsustainable” if proposed cuts to Medicare reimbursement were made.

• 60% of doctors would not recommend medicine as a career to young people.


Key Points: How it Differs from Concierge Medicine

• Concierge practices charge an annual membership fee for increased access to the physician in an upscale office environment

• Concierge practices may still bill insurance and Medicare for services (though some may choose to opt out of Medicare)

• Pure cash-only practices do not bill insurance companies

• Patients usually pay high out of pocket costs for their health care whereas the out of pocket cost in cash-only is a lot less

• Patients pay a combination of an annual retainer fee and fee-for-service in exchange for value added services (such as 24/7 access to the physician, luxury amenities, provider meets you in ER, provider meet you in a separate city if become ill on a trip)

Weiss, G. Is Cash Only medicine the next big thing?. Medpage Today. March 19, 2009
Hypothetical Revenue Potential: 1,000 Patients

- $465,000 gross revenue
  - $365/year membership fee
  - $100,000 additional fees for services not covered in membership
    - $25/encounter
    - 2 patients/hour for an 8 hour work day
- ~20% reduction in overhead

Cash-Only Overview: Services Provided

What are some of the services provided by a cash only practice?

a) Yearly physicals
b) Vaccinations
c) Chronic disease management
d) All of the above
Cash-Only Overview: Services Provided

What are some of the services provided by a cash only practice?

a) Yearly physicals
b) Vaccinations
c) Chronic disease management
d) All of the above

Source: Dr. Val. Cash only physician practices could save you a bundle. Better Health. March 26, 2009
Primary Care Use Statistics

- Estimated that most Americans require an average of 3.5 office visits per year to receive the necessary medical care
- Average visit time is 15-20 minutes
- As a result, primary care physicians have to see more patients in a conventional practice than in a cash only practice to maintain their income
- Contracting with health plans increases administrative costs and reduces revenue

Dr. Val. Cash only physician practices could save you a bundle. Better Health. 3/26/09
CDC: accessed April 20, 2009
Weiss, G. Is Cash Only medicine the next big thing?. Medpage Today. March 19, 2009

Key Points:
Current Economic Crisis’ Effect

- Recent job losses have boosted the patient base for cash-only doctors
  - Patients have lost insurance and often times cash-only practices charge less than the cost of maintaining insurance
  - 7 of 10 respondents to a MedPage Today online survey think that the current economic climate will increase the number of physicians shifting to cash-only practices
- Furthermore, hard pressed individuals are choosing the less expensive, high-deductible plans linked with health savings account that employers are increasingly offering.
  - Patients in these plans have to pay out-of-pocket even in a traditional practice making cash-only practices seem more attractive and less costly in the long run

Weiss, G. Is Cash Only medicine the next big thing?. Medpage Today. March 19, 2009
Physician Satisfaction Statistics:
Physician’s Foundation

10. What do you find unsatisfying about medical practice?

<table>
<thead>
<tr>
<th></th>
<th>Most Unsatisfying</th>
<th>Semantically Unsatisfying</th>
<th>Least Unsatisfying</th>
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<tbody>
<tr>
<td>Long Hours/Lack of Personal Time Rating</td>
<td>30.22%</td>
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<td>Managed Care Issues Rating</td>
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<td>Malpractice/Defensive Medicine Pressures Rating</td>
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<tr>
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<td>Pressure of Running a Practice Rating</td>
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<td>20.19%</td>
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<td>Lack of Clinical Autonomy Rating</td>
<td>29.91%</td>
<td>25.20%</td>
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<td>Non-Clinical Paperwork Rating</td>
<td>47.02%</td>
<td>29.09%</td>
<td>16.60%</td>
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<tr>
<td>Patient Attitudes Rating</td>
<td>9.67%</td>
<td>25.79%</td>
<td>30.91%</td>
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<tr>
<td>Other Rating</td>
<td>29.38%</td>
<td>16.49%</td>
<td>26.43%</td>
</tr>
</tbody>
</table>


Impediments to Patient Care Statistics:
Physician’s Foundation

12. What do you see as impediments to the delivery of patient care in your practice environment?

<table>
<thead>
<tr>
<th>Major Impediment</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tr>
<td>Difficulty with Managed Care Organizations</td>
<td>39.02%</td>
<td>32.89%</td>
<td>18.55%</td>
<td>8.13%</td>
<td>3.41%</td>
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<tr>
<td>Malpractice/Defensive Medicine</td>
<td>35.46%</td>
<td>31.47%</td>
<td>21.04%</td>
<td>8.28%</td>
<td>3.15%</td>
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<td>Cost of Implementing Health Information/Technology</td>
<td>28.18%</td>
<td>33.40%</td>
<td>24.51%</td>
<td>9.26%</td>
<td>4.05%</td>
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<tr>
<td>Non-Clinical Paperwork</td>
<td>32.64%</td>
<td>35.04%</td>
<td>23.22%</td>
<td>8.90%</td>
<td>2.10%</td>
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<tr>
<td>Demands on Physician Time</td>
<td>37.12%</td>
<td>35.46%</td>
<td>20.94%</td>
<td>5.41%</td>
<td>1.17%</td>
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<tr>
<td>Declining Reimbursement</td>
<td>62.77%</td>
<td>26.79%</td>
<td>8.55%</td>
<td>2.47%</td>
<td>1.43%</td>
</tr>
<tr>
<td>Shortage of PC/Physicians</td>
<td>19.30%</td>
<td>27.79%</td>
<td>29.19%</td>
<td>17.06%</td>
<td>12.60%</td>
</tr>
<tr>
<td>Patient Attitudes</td>
<td>8.20%</td>
<td>22.38%</td>
<td>34.37%</td>
<td>21.62%</td>
<td>13.43%</td>
</tr>
</tbody>
</table>

Potential Benefits of Cash-Only (Physician Side)

- Lighter patient loads allows for stronger healthcare partnerships with patients
- Less paperwork
- Less third-party interference
- Reduced staffing needs (i.e. no billing staff since patients pay at time of service)
- Smaller offices
- Autonomy
- Labs often offer discounts since they are avoiding the expenses of billing patients or insurance companies
- Don’t need high-powered, expensive practice management software


Potential Benefits (Patient Side)

What are some potential benefits for patients in a cash-only practice?

a) Same-day appointments
b) Quickly returned phone calls
c) Short in-office wait times
d) All of the above
Potential Benefits (Patient Side)

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Potential Benefits (Patient Side)

- Easier access to care
- Less likely to experience rushed appointments
- Same-day appointments
- Quickly returned phone calls
- Short in-office wait times

Weiss, G. Is Cash Only medicine the next big thing?. Medpage Today. March 19, 2009
Backer, LA. 2,500 Cash-Paying Patients and Growing. Family Practice Management February 2006
Potential Cons (Physicians)

- Need to rebuild practice
- Don’t know how new practice model will hold up with healthcare reform (i.e. universal or single-payer medical system)
- If physician chooses to opt out of Medicare – in some states the physician has to wait two years to opt in again
- Some states require physicians to copy and transfer medical records of patients that are no longer seen – could be a costly process for those without EMR
- Less exposure to the hospital setting since the patients would incur exorbitant out-of-network costs for hospital stays
- Laying off long-term employees


Potential Cons (Patients)

- More upfront cost to patients compared to co-pays (insurance premiums are taken from their salaries so that amount of money is never actually seen by the patient)
- Will still need to invest in some form of insurance for medical emergencies and coverage of hospital stays
- May not be possible for those with illnesses that require consistent testing and lab work as well as follow-up
- If patient has insurance then has to file their own claims which can be cumbersome and cause the patient to bypass the doctor for minor or routine medical problems
- Patients are referred out for diagnostics and labs that are not part of the patient’s HMOs

Source: Frank, EK. Why my cash only practice failed. Modern Medicine, March 7, 2008
Prior to Transitioning to Cash-Only: General Considerations

- What services do you want to offer?
- Who do you want to treat?
- What kind of staff do you want?
- What is your ideal patient load?
- How many hours a week do you want to work?
- Will lab tests be a part of the practice?
- Will hospital visits be included in the services?
- Can the local market support a full self pay practice?
- How many existing patients are willing to switch over to the new practice model?

Grace, S. The Great Practice Makeover: Branding the Cash Only Practice. Physicians Practice

Prior to Transitioning to Cash-Only: Assessment of Local Market

What is a factor to consider when assessing a local market for viability of a new cash-only practice?

a) Type of health plans in the market
b) Make-up of patient population
c) Existence of other cash-only practices
d) All of the above
Prior to Transitioning to Cash-Only: Assessment of Local Market

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![Bar Chart]

Series 1
Series 2
Series 3

Category 1
Category 2
Category 3
Category 4

Prior to Transitioning to Cash-Only: Assessment of Local Market

- A community with large numbers of uninsured patients may be a good environment
- A community with affluent patients with or without insurance might also be a good environment
- Consider the types of health plans in the market in the area that you are in
  - PPO versus HMO (PPO would result in a larger potential patient pool)
- Assess the benefits options of the large employers in the area
- Consider whether there are other cash-only practices in the area

Stone, T. Cash Only practice: Could it work for you? Family Practice Management 02/06
Prior to Transitioning to Cash-Only: Number of Retainable Patients

- The number of existing patients that would consider staying with the practice after its transition is an important initial determining factor.
- This information can be determined informally or through a survey.
- If too few are willing to switch then the physician may consider keeping the better paying health plans at least temporarily.

Stone, T. Cash Only practice: Could it work for you? Family Practice Management 02/06

Prior to Transitioning to Cash-Only: General Logistical Considerations

- Financial:
  - Determine the annual revenue goals for the first year and subsequent years.
  - Determine what overhead is vital to the practice.
  - Determine how payment will be accepted (i.e. Will payment be required at time of service?)
  - Develop a personal strategy for decreased revenue.
- Patient Load:
  - Based on overhead expenses, determine the number of patients needed for the practice to break even.
  - Create a plan to transition patients to other physicians in the area.
  - Determine the number of patients who are on Medicare and/or private insurance.
- Contractual Agreements:
  - If maintaining insurers, determine the staff needed to file claims.

Stone, T. Cash Only practice: Could it work for you? Family Practice Management 02/06
Making the Transition: General Considerations

- Perform the transition in stages
- Eliminate third-party payors that reimburse the least or provide the most resistance to payment
- Offer the patients with those payors the option to do cash-only with you
- Notify patients at least 30 days in advance
  - Keep in mind that physicians should stay the course with pregnant patients until delivery as well as patients undergoing a prolonged treatment regimen
- Advocate for patients having some form of insurance policy to cover catastrophic events
- Potentially need to copy and transfer medical records

Weiss, G. Is Cash Only medicine the next big thing?. Medpage Today. March 19, 2009

Making the Transition: Specific Considerations

- Financial:
  - Analyze cost structure to determine how much you would need to charge
  - Get financially lean to survive a possible income slump
  - Educate patients about your financial model
  - Require point-of-service collections
- Contractual Agreements:
  - Decide whether you will drop insurers gradually or all at once
- Service Delivery
  - Improve customer service
  - Increase access to physicians
- Marketing
  - Identify and market your practice’s strengths
  - Determine marketing avenues (television, radio, etc.)

Stone, T. Cash Only practice: Could it work for you? Family Practice Management 02/06
Key Points: Determining Fee Schedule

- Several options are available:
  - Use a professional consultant
  - Use medical organizations information about office and hospital fees
  - Use a percentage of Medicare’s resource based relative value scale
  - Perform market research by contacting other internists, urgent care centers and specialists to determine prevailing market rates
  - Review discussion groups on Sermo

Self pay discussion paper, AAFP 2006
J. Henry and J. Bare, MHCA. On your own, starting a medical practice from the ground up. AAFP
J. Dykes MD. Making time to listen, Family Practice Management, Sep 2004

Insurer Overview: Time and Money Spent on Insurers

- The average physician in a solo or two-person practice spent 3.5 hours weekly interacting with health plans (4.3 hours for primary care physicians)
  - Primary care practices spent $64,859 annually per physician--nearly one-third of the income plus benefits of the average primary care physician (median spending for a primary care practice: $47,707).
  - Primary care physicians spent significantly more time (1.7 hours weekly) than medical specialists (1.2 hours; p = 0.003) or surgeons (0.7 hours; p < 0.0001) on dealing with formularies.
  - Nursing staff spent 13.1 hours per physician per week on authorizations--far more than any other type of staff and far more than nurses spent on any other type of interaction.

Health Affairs 28, no. 4 (2009): w533-w543 [published online 14 May 2009; 10.1377/hlthaff.28.4.w533]
Making the Transition: Accepting Insurance

Can a practice be considered cash only if they accept insurers?

a) Yes
b) No
c) I don’t know
Making the Transition: Commercial Insurance

• If an insured patient elects to participate in your cash-only practice there are a couple things to keep in mind
  • In most cases PPO enrollees will be able to see out-of-network physicians, pay at the time of service and receive reimbursement from the health plan – albeit the amount may not be covered in full
  • Copays and deductibles may be higher with out-of-network care
  • Most HMOs will not provide any coverage for care provided by physicians with whom they do not contract

Lowes. R. Small practice evolution: Cash only medical practices skip the middleman. Modern Medicine 5/16/08

Making the Transition: Commercial Insurance

• Physician in cash-only practices can continue to see privately insured patients as long as the patients are willing to pay cash and submit their own claims
  • Certain states (CT) protect enrollees in particular private insurance plans from “balanced billing” where providers bill patients for any sums beyond what the insurance company pays – except for co-pays and deductibles (See e.g., Conn. Gen. Stat. §§ 381.193 (c), 20-719b (2004))

Source: Self pay discussion paper. AAFP 2006
Making the Transition: Medicare Options

- Some physicians who have cash-only practices still take Medicare patients
  - Enables physicians to keep their older patients who would transition into Medicare
  - Can be a nonparticipating Medicare provider
    - Reimbursed at lower levels
- Physicians under Medicare also need to be careful when offering discounts to privately insured or uninsured patient who pay in full at the time of service since title XVIII of the Social Security Act says a provider can be excluded from Medicare if he or she charges the program “substantially in excess of his usual charge” for the same service

Key Points: Choosing to Opt Out of Medicare

- Remain a participating provider
  - Then the practice is not purely cash-only and the practice would have to submit bills and follow Medicare’s fee schedule
- Be a nonparticipating provider
  - This means that you don’t accept Medicare assignment
  - Collect from the patient and then bill Medicare which reimburses the patient
  - Charges can be no more than 115% of the Medicare fee schedule (Medicare patients only get reimbursed 80% of the fee schedule and not the higher fee)
  - Have to be careful to not charge your Medicare patients more than you would the non-Medicare patients
- Opt out entirely
  - Everything is out-of-pocket (watch out for two year window)
Key Points: Choosing to Opt Out of Medicare

• If a physician chooses to opt out of Medicare the following procedures still need to be followed:
  • Notify patients, colleagues and others
  • File an initial affidavit with Medicare and a new affidavit every two years to maintain opt out status
  • Privately contract with the Medicare patients under the physician’s care
  • Initiate appropriate office procedures to identify Medicare patients and ensure that they are notified of the practice’s opt out status

Source: Self pay discussion paper. AAFP 2006

Making the Transition: Marketing a New Practice

What kind of information should be included in marketing material when transitioning to a cash-only practice?

a) How the practice will change
b) How the physician will be more accessible
c) How this will be achieved
d) All of the above
Making the Transition: Marketing a New Practice

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Weiss, G. Is Cash Only medicine the next big thing?. Medpage Today. March 19, 2009
Making the Transition: Potential Pitfalls and Barriers

- Reluctance to try something new
- Insurance companies could drop the provider
- Requires strong office management skills
- Inability to retain or attract a sufficient patient base
- Doctors who are unwilling or unable to render superior customer service


Keys to Success: Some examples

- Location – Success of a cash-only practice depends on geographic area served
- Patient population – the right mix of patients will determine the success of the practice
- Relative lack of same specialty physicians in the marketplace

Stone, T. Cash Only practice: Could it work for you? Family Practice Management 02/06
Cash-Only: Ethical Issues

- Calls into question professional principle of ensuring equal access
  - Individuals with insurance may not be able to see a physician who does not participate with their plan due to the added financial burden
- Self-pay practices limit the level of patients’ access to care based on one’s financial means
- Limits patients access to care and continuity of care if the physician practice is in a geographic area with a shortage of physicians
- Some say that it contributes to fragmented care
- Reduces physician’s scope of practice to treating acute problems since insured patients with chronic illnesses are less likely to want to pay for out-of-network care on a frequent, ongoing basis and chronically ill patient’s who can’t afford insurance may tend to avoid routine preventive care

Source: Self pay discussion paper. AAFP 2006
Stone, T. Cash Only practice: Could it work for you? Family Practice Management 02/06

Panel Discussion – Direct Pay Practice Models

Ronald Barg, MD, FACP
Executive Director-CCA
Penn Medicine at Radnor

L. Gordon Moore, MD
Clinical Associate Professor
Department of Family Medicine and Community and Preventive Medicine
University of Rochester
Case Study 1

- Dr. Eads runs an innovative cash-only solo practice in Colorado Springs, Colorado.
- Her practice utilizes modern technology to enhance efficiency and allow for greater patient-centered care.
- Transitioned to solo practice in July of 2003
- Transitioned to direct pay in 2007.
  - Dr. Eads provides 24/7/365 coverage of her patients
  - She offers two levels of cash-only membership to meet patient needs.

Transition in 2007

- Relocated office to denser population
- Patient base decreased by 75%
- Part-time
  - 100 patients
  - 16 encounters/week
Payment Options

- Opted out of Medicare and have no insurance contracts
- Membership: $360/year (adult) and $240/year (child)
  - Reduced fee for office, phone and online encounters
  - Full 24x7, 365 access
  - Includes cost of refills and form requests
  - Office visits
    - $85/15 min
    - $110/30 min
    - $150/45 min
    - $200/60 min
  - Phone and online visits
    - $85

Three Levels of Retainers
(Fee is based on age)

- Gold
  - Full year of office, phone and online visits
  - Common adult vaccines
  - Common CLIA-waived labs
  - $900 - $4,000
- Platinum
  - Gold level plus...
    - accompany to 3 specialist appointments
    - Serve as liaison and advocate with hospitalist
  - +$1,000 more/year
- Executive
  - Gold level plus...
    - Home or place of work visit regardless of reason
  - $5k/year
Payment Options

<table>
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<tr>
<th>Membership Level</th>
<th>Annual Fee</th>
<th>Description</th>
<th>% of Visits</th>
<th>% of Revenue</th>
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<tbody>
<tr>
<td>Fee for Service</td>
<td>$360/adult, $240/child</td>
<td>24/7 access, refills and forms, reduced fees for visits, Office visits</td>
<td>88</td>
<td>71</td>
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<td></td>
<td></td>
<td>$85/15 min, $110/30 min, $150/45 min, $200/60 min, Phone and online visits $85</td>
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<td></td>
</tr>
<tr>
<td>Gold</td>
<td>$900 - $4,000 (age based)</td>
<td>Above plus the following: Full year of visits, Common CLIA-waived labs, Common adult vaccines</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Platinum</td>
<td>Above + $1,000</td>
<td>Gold plus, Accompany to 3 specialist appointments, Liaison and advocate with hospitalist</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Executive</td>
<td>$5,000</td>
<td>Gold plus, Home or place of business visits regardless of reason</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

Communication with Patients

Three (3) months advance notice

Continued to see patients for a total of six (6) months
Made suggestions on other physicians if need to leave practice

Held informational sessions with patients and a local insurance broker
Low cost premium with high deductible plan would save them money
First Year:

- Increase revenue per patient
- Decrease of 40% in revenue
- Unchanged expenses
  - No advertisement
  - Stationary
- Grew at 1 patient/month

Biggest Transition Challenge

Explaining to patients that paying for their own healthcare made financial sense. Health insurance should be for big ticket items as opposed to day-to-day items.

Meeting the Challenge

- Preparing CMS 1500 form for the patient to submit to insurance
- Explaining insurance may not cover everything they desire
- Help finding less costly alternatives for medications and labs
- Arranging for lower cost imaging and colonoscopy for those without insurance
**Determining Prices:**

- Research other physicians

- Research own patient charts
  - Ten (10) charts per age group
  - Determine the amount of time required to provide care

**Role of Technology:**

- EMR essential to efficiency

- Remote access to EMR via laptop

- Online access for research

- Patient communication
  - E-mail
  - Website
  - Cell and satellite phone
  - No pager or answering service needed
Patient Benefits:

- No one is rushed
- Avoid unnecessary visits for items that can be handled via phone or email
- Better value for patients
- Fewer ER visits and hospitalizations and their associated costs
- Improved outcomes through deeper relationships

Advice

- Have inspiration/motivation to weather the change
- Clearly envision your ideal practice
  - Services
  - Physical characteristics
  - Patient characteristics
- Start small with low overhead
- Plan for decrease in revenue
- Ensure patients understand the change is for them— not to get you rich
- Don’t be upset when patients leave
Contact Information

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Case Study 2

• In January 2008, Dr. Horvitz transitioned to a cash practice in order to focus his time and attention on patients and their needs.
• Small solo family practice offers multiple payment options for patients:
  • Selfpay
  • Medicare
  • Wellness and retainer options
• Dr. Horvitz regularly blogs so that other physicians may learn from his experience.
• He practices in Moorestown, New Jersey.
Patient Base

• Prior to transition to cash only
  • 2,000 – 2,500 patients
  • 100 encounters/ 4 days

• As of June 2009
  • 750 patients
  • 50 encounters/ 4 days

Three Payment Options

• Traditional Medicare
  • 15% of visits and 10% of revenue

• Self-Pay
  • 45% of visits and 45% of revenue
  • Payment in full at time of visit
  • Patients submit claims to insurance for reimbursement

• Wellness Plans
  • 40% of visits and 45% of revenue
  • Annual pre-paid plans (payable monthly)
  • One complete preventative exam/year (average 60 minutes)
  • Unlimited follow-up visits for routine care for the remainder of year (average 20 minutes)
Motivation to Change

- Desire to have solo practice
- Desire to build trusted relationships with patients
- Increased frustration with insurance bureaucracy
- Dropping a few insurance plans did not significantly reduce revenue
- The Institute for Medical Wellness was born
  - Direct pay
  - Retained 40% of patient base

Transition Communication

- Letter to patients in form of survey
  - Explained benefits to them
  - Explained possible fees
  - 40% response rate
Transition Statistics in 2008

- Patient volume decreased 43%
- Revenue decreased by 30%
- Overhead decreased by 20%
- Marketing increased
- $/patient increased 18%
- Revenue is currently growing due to Wellness Plans

Revenue Growing Due to Wellness Plans

- One complete preventative exam/year (average 60 minutes)
- Unlimited follow-up visits for routine care for the remainder of year (average 20 minutes)
- Fee is age based
  - $30 - $45/month
  - Family plans available
Overhead Decreased 20%

<table>
<thead>
<tr>
<th>Expense Type</th>
<th>Before Direct Pay</th>
<th>After Direct Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Time Employees</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Part Time Employees</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Outside Billing</td>
<td></td>
<td>Down 70%</td>
</tr>
<tr>
<td>Office Supplies</td>
<td></td>
<td>Down 40%</td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
<td>Increased slightly</td>
</tr>
</tbody>
</table>

Overall $/patient increased 18%

Goal to reach pre transition revenue by year 3

Biggest Transition Challenge: Marketing

• Local newspaper
  • “advertorials” to describe philosophy

• Word of Mouth
  • Most important tool
  • Effective in year 2

• Web Site

• Free E-mail newsletter
  • Encourages word of mouth
  • “Friends and family” effect
Role of Technology

- Website hits increase each quarter
- Email and Text Messaging for quicker communication with patients
- Used EMR since 2004 (before transition)
  - Likely soon a necessity
  - Focus on evaluating cost solutions

Patient Benefits

- Increased time with patients and colleagues/specialists around patient needs
  - 20 min routine visit
  - 60 min wellness exam
- Faster medical care without rushing
- Team approach to patient care is easy to achieve
- Same day visits
Advice

Research how others are doing it

Have a business plan and back-up plan
  Work backward from your revenue desires
  Have a 3-year plan

Communication is vital
  Prepare patient base
  Market

Develop relationships with other physicians to provide referrals

Be pro-active meeting patient needs

Have savings to cover revenue shortfalls

Have a thick skin

Contact Information

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Conclusion

- The increased popularity of direct-pay models is a reflection of problems in the US Healthcare system.

- Cash only practice represents a significant improvement in efficiency eliminating the incremental expense of dealing with multiple payers.

- The challenge is to turn the additional time and resources available to physicians into improved patient care and satisfaction.

- Cash only and concierge practices have the opportunity to look at new and innovative ways to deliver care.

- The conversion to cash only or concierge medicine requires careful planning on the part of physicians interested in doing this.