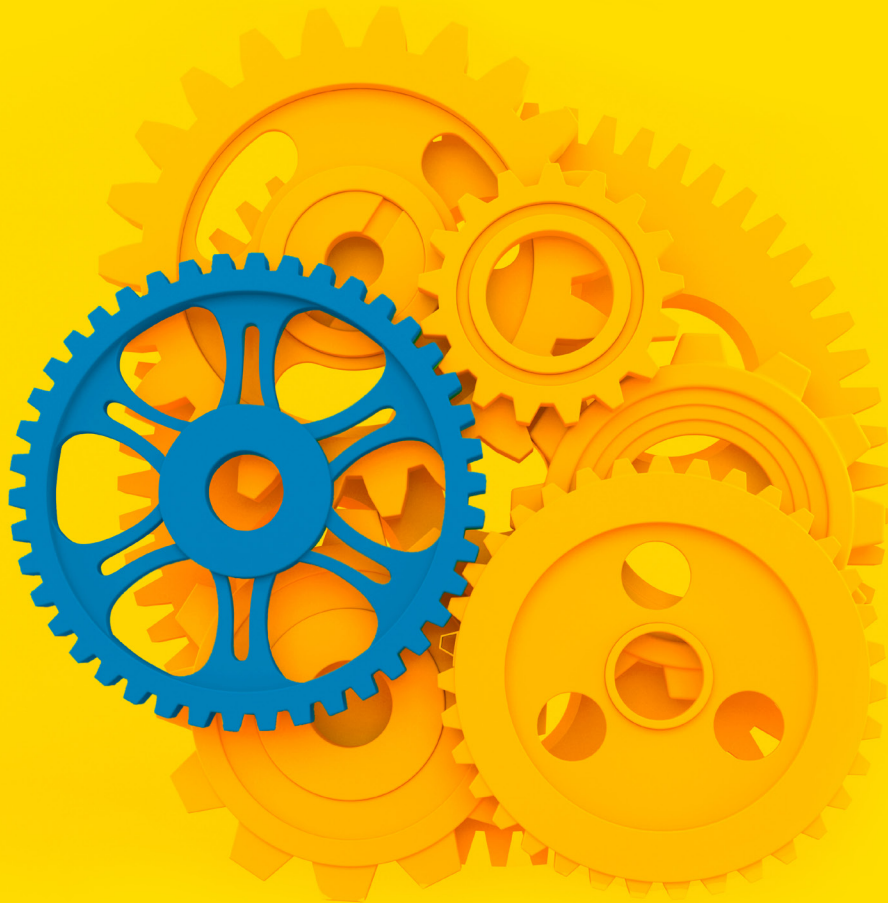


# Not just another cog in the wheel

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Dermatologists and experts in concierge and cash-only practice models discuss how it can be a game-changer for the right physician.



BY **ALLISON EVANS**, ASSISTANT MANAGING EDITOR

Imagine a world without rushed appointments, insurance denials, and ever-diminishing reimbursement. While this may seem like Tolkien fantasy, some dermatologists have made it a reality by transitioning to concierge or direct pay practice models. Concierge medicine implies having a membership model with a monthly fee that would include benefits (discounts, visits, access, etc.). Direct pay medicine implies a doctor who is not contracted with any insurance companies; in a hybrid practice, the physician is contracted with some insurances but not others. A direct pay model may be concierge as well. Concierge practices may still take insurance but offer special memberships with certain benefits for patients, such as access or discounts.

While many physicians may consider switching, this life-changing decision is often postponed for years with physicians wondering: "Will I find enough self-pay patients?" "Can I live without the money I get from insurers?" "What are the risks and rewards to concierge or direct-pay-based practices?" These are valid questions that need to be carefully considered. >>



## Not just another cog in the wheel

Not only are physicians tired of the stress of a ticking clock during appointments — so are patients. While the idea of concierge or “boutique” medicine used to be a concept for the wealthiest Americans, it’s gaining traction with the masses as patients are willing to pay extra for more personalized, comprehensive care. For some with high deductibles or copays, they are finding it more affordable than using their own insurance plan. Lastly, a lot of patients have robust out-of-network coverage.

Particularly for small practices and solo practitioners, a concierge or direct pay model may feel like the only way to stay afloat. “As the health care landscape began its shift back to volume-based care in the early 2000s, physicians became increasingly frustrated by rising operational costs, an intensified administrative burden, and sharp cuts in reimbursement,” said Terrence Bauer, CEO of Specialdocs Consultants, a company that provides conversion services and post conversion management support for concierge practices.

Concierge medicine is still primarily a model used by primary care physicians, but according to Bauer, it can also work for specialists who have long-term relationships with patients. “If a patient is seeing the doctor two to four times per year regularly every year, that could lead to a successful practice. If they’re seeing the doctor once every two to three years, this probably would not make for a good concierge practice.”

### What is concierge medicine?

There is considerable variation among concierge practices, but the concierge model is most commonly one in which doctors are paid a membership fee for “non-covered” services directly by the patient, instead of the physician relying entirely on health insurance to generate revenue for their practices. Typically, this means patients pay a quarterly, semi-annual, or yearly membership fee and if the physician remains “in network” with Medicare or commercial health insurance, the physician’s office files a claim for medically related care.

Concierge services often include services such as lengthened office visits, increased availability to physicians, lab tests, house calls, and same-day appointments. Some accept insurance but

also charge the membership fee. Others may opt for a direct pay only model in which they accept payment for the visits and services directly from the patient but encourage patients to seek reimbursement on their own through their insurance.

The prevalence of concierge medicine is difficult to determine, but the trend is increasing among specialists. According to a 2017 *Medscape* survey, approximately 3% of dermatologists were in concierge practice — up from 1% in 2016. The average annual fee to become a member of a concierge practice is about \$2,200 (less than \$200 per month), according to Bauer.



### Joining or selling a practice

Whether you’re starting a practice, transitioning, or preparing to retire, it’s important to understand what’s involved in these life-changing decisions. Learn more at [www.aad.org/epm](http://www.aad.org/epm).

### A concierge practice

Shawna Flanagan, MD, FAAD, is a solo private practitioner in Florida who has never taken insurance except Medicare. “I do a lot of skin cancer and Mohs surgery as well as cosmetic dermatology. In 2017, I was at a turning point of whether to drop Medicare and decided to try a concierge model for my practice instead. My husband is a concierge internist, so I used a lot of his legal paperwork as a guide.”

“I charged a yearly membership fee of \$750 per year which could be used toward products and cosmetic procedures,” Dr. Flanagan added. “This way I could keep my Medicare patients, who had skin cancer and needed Mohs, who were also my cosmetic patients.”

Over time, Dr. Flanagan has raised her yearly membership fee to \$1,000 and has found that many people in her area are more than willing to pay the fee just for membership in the practice of a board-certified dermatologist for their two-to-four times per year full body exam and skin cancer treatment needs, including photodynamic therapy, full body exams, and surgery, if needed.

“Initially I lost some Medicare patients who

didn't want to pay the yearly fee, but I actually made more money and saw fewer patients and was able to provide quality care to my patients without having to rush through their exams."

### The right candidate

For physicians to transition to a concierge model, there needs to be some kind of catalyst or impetus — and usually that's because the physician is experiencing pain in their current environment, said Bauer. Reimbursement is going down, operating costs are going up, which places pressure on physicians to up their patient load.

While the perks of a concierge practice model are tempting, Bauer notes that it's not for all physicians. "You could be a fantastic doctor but if there are only 10,000 people living in an area with a median household income below \$50,000, it's probably not going to work." As with any business, it is crucial that any physician considering moving to a concierge or direct pay model fully take into account all the myriad of expenses and overhead costs that are required to keep the business afloat. These numbers will be of vital importance in determining patient volume and what fees are required to make a concierge or direct pay medical practice a viable model for them.

In addition to being a great physician and the right specialty in the right market, the physician needs to possess solid interpersonal skills, said Bauer. "Are they good listeners? Are they good questioners? Do they have empathy? It's emotional intelligence. It's sensitivity. If a physician says they're making the switch because they want to make more money and they're already burned out, I'm not sure that's the right fit."



### Staffing

Access Academy guidance on best practices for human resources and staffing at [www.aad.org/staffing](http://www.aad.org/staffing).

### Direct pay in dermatology

"I'm an entrepreneur and business owner," said Erine Kupetsky, DO, FAAD, who recently transitioned her traditional practice in New Jersey to a direct pay model. "I'm the kind of business owner who really pays attention to everything — hiring, the intricacies of front desk and back desk, all the insurance information, reimbursements, and exactly how much each code brings and renders for each health insurance contract. I don't delegate when I probably should, but it really

## Short on time?

Key takeaways from this article:

- While the idea of concierge or "boutique" medicine used to be a concept for the wealthiest Americans, it's gaining traction with the masses as patients are willing to pay extra for more personalized, comprehensive care.
- Concierge medicine is still primarily a model used by primary care physicians, but according to Bauer, it can also work for specialists who have long-term relationships with patients.
- Concierge and direct pay practices are not for all physicians. Physicians should consider their geographic location, market demographics, personality traits, and desired physician-patient relationship.
- Physicians need to view a concierge, direct pay, or hybrid model from a revenue per patient perspective, which takes time into account, if they hope to maintain the same or higher level of income when outside of a traditional insurance model.



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allows me to understand exactly why I'm doing this and why I prefer this model: Patients will have individualized attention and care. Their time is respected since they will have less wait times and more time with me, and they will have more flexible scheduling options. I will have the ability to focus on preventative medicine and establish a personal relationship with my patients without insurance getting in the way."

"My decision to not have insurance and to decide to move toward direct pay is just more in line with what I believe and how I think it's just a fairer system," she added.

"When you do take insurance, because of all the complexities, the denials, all the issues with insurance, you have to hire lots of people to handle those situations, which increases overhead," Dr. Kupetsky noted. "Your increased overhead necessitates you to see more patients to pay the overhead rate. The greater the number of patients you see, the less amount of time you get to have with your patients. Quality goes down, burnout goes up, and you run into the situation where you can't take it anymore. I didn't want this to happen to me."

As Dr. Kupetsky prepared to transition her practice to a direct pay model, the most important piece of this transition was to maintain transparency with her patients. "I had to explain why I'm doing this to every single patient — that it's very important to me to continue to provide high-quality care to my patients and I truly want to be beholden to them and not to the insurance company. I also had to clearly list all my prices on my website for complete price transparency."

"I tell my patients, 'I'm marching in this direction, and this is why. We would love it if you would stay with us. You'll still be able to submit the receipt for your visit and your code to your insurance company for out-of-network benefits. You'll also be able to use HSA and FSA money for your office visits.' We do offer discounts with our memberships," Dr. Kupetsky added. "Let's say you have to see me every three months for your medical condition. You can prepay and we discount that."

"Only a few people have told me that they're leaving the practice," she said. "I totally get it. I give them the option to go on their portal and

download their chart notes so that they can go see someone else while urging them to follow up with a board-certified dermatologist to get the care they need."



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### Promote your practice

Find a wealth of resources to promote your practice on social and traditional media, from tips for talking to reporters to updating Google listings at [www.aad.org/promote](http://www.aad.org/promote).

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### Concierge contracts

"Any time you are exiting the private insurance market, you are removing a portion — sometimes a significant portion — of your potential patient base," said Trevor McElhaney, JD, director of consulting at Doctors Management LLC.

"However, if you are successful in a concierge model, physicians can maintain higher flexibility in the way they interact with, schedule, and receive payment for their services. Regardless, and before you exit any commercial or governmental contracts, ensure you understand the ramifications of that, including the ability to get back in-network if needed (e.g., wait periods, closed panels, etc.), as well as general market research on your market's willingness to pay out of pocket for services that would otherwise be covered by their health insurance plans," he continued.

The most important aspect of a concierge contract, or any contract, is to be clear about what will and will not be provided by the physician, McElhaney said. "Physicians should consider whether they will offer cell phone access and response-time expectations, night and weekend availability, limits on total visits in a particular time period, etc."

In a pure concierge model, individual contracts are between the physicians and the individual patients. So, assuming that the covered medical services are clearly defined in those agreements, and any cosmetic treatments are also defined as separate, the legal side is fairly straightforward, McElhaney said. "As with all things, any practitioner considering a full concierge model should consult with local counsel to ensure any state requirements are met

for entering into individual health contracts with patients.”

Dermatologists should also consider whether they will provide surgical procedures under the plan, or if the time, risk, and supplies will be considered separately, McElhaney added. “Again, the most important thing is to set clear expectations for patients and have that reviewed by counsel to ensure it complies with any state or federal regulations for health care services.”

## Medicare

If a physician is operating under a direct pay or concierge model but remains in-network with Medicare, the physician must ensure that they either only bill and collect the Medicare allowable for the services provided to those patients (e.g., those patients are not in the concierge model at all), or that the Medicare beneficiary has been provided with appropriate notice and a listing of services to be provided under the concierge model and those

# 7 ways to cash in for a direct pay practice

## 1 Offer extra services

When patients pay out-of-pocket, they’re often looking beyond a simple procedure to an entire care experience. Offering access to a state-of-the-art facility, evening and weekend hours, promotions, and special events can provide those value-adds that patients appreciate.

## 2 Market strategically

Make sure you have a clear marketing plan that includes print ads and social media, but also includes market research. Identify the people in your geographic area who may be interested in direct pay practices and focus on that specific audience rather than everyone in the area.

## 3 Focus on the patient

Patients value personalization and a strong patient-physician relationship. Provide your patients with shorter wait times and longer one-on-one time. While this may limit the number of patients you can see per day, it may increase the number of patients who come to your office and keep them coming back.

## 4 Be transparent

Post a price list to attract customers who want to know exactly what they’re getting.

## 5 Keep your overhead low

Don’t hire more support staff than you can afford. Outsource lab tests to larger companies, and don’t be afraid to be a shark when negotiating how much you will pay each of your vendors.

## 6 Stay competitive with pricing

Many patients come to direct pay practices because they have a high deductible, have HSA/FSA accounts, or are part of a self-funded employer group. Keeping prices low may seem risky, but it can be key to recruiting patients.

## 7 Weigh pros and cons before switching

Make sure that the local market can support a direct pay practice. If the community has many insured patients, or successful patients — with or without insurance — a direct pay practice may have a better chance of thriving. You also need to find out whether existing patients would be willing to transition to a direct pay model with you.





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services must be distinct from any other services that would otherwise be covered under Medicare, McElhaney said.

“For example, Medicare pays for an annual wellness visit, so, its likely improper to include an annual dermatologic physical as part of the out-of-pocket concierge services, unless that physical is significantly different in scope, time, and objective than that covered under Medicare’s guidance for that visit,” he said. “Our consultants have not typically found a lot of opportunity to have Medicare patients in both a Medicare allowable environment and concierge environment. Our general recommendation is to be in or out for that payer.”

### Benefits

There can be some clear-cut benefits to successfully practicing in a concierge or direct-pay model. “A physician can make the same amount of money or more. The work-life balance is much better. They can go from seeing 20 to 25 patients per day to seeing eight to 10,” Bauer said.

If a patient has an issue come up, they can often be seen same day or next day, said Bauer. “They’re not sitting in the waiting room for 30 minutes then sitting in the exam room for 30 minutes to have a seven-minute encounter with the doctor.”

“Physicians in a concierge model are not staying up until midnight charting and entering data. They’re actually finished in the afternoon,” Bauer said. “Most importantly, they feel more fulfilled because they’re doing what they went to medical school for, which is to really take care of patients and improve health and wellness.” The same goes for direct pay physicians.

Concierge and direct pay models strengthen the patient-physician relationship by removing third-party involvement and by increasing the amount of time a physician can spend with each patient. “The patient and I are no longer beholden to the insurance companies for how much time we can spend on the visit, nor what procedures or services the patient is eligible for to improve their quality of life,” said Dr. Kupetsky.

### Challenges

While concierge and direct pay medicine has gone a long way in helping physicians manage their workload, earn more money, and provide better

access, it is not a perfect system. During a time of increasing physician shortages, the reduction in the number of patients seen by a concierge practice may exacerbate access issues, said Russell Phillips, MD, the William Applebaum Professor of Medicine and Professor of Global Health and Social Medicine at Harvard Medical School, in a *Scientific American* article.

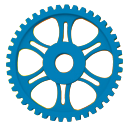
“Additionally, concierge medicine can create a two-tier system of care, where patients who can’t afford the cost of concierge care are excluded.” A lack of peer-reviewed studies on care outcomes in concierge practices, compared with more traditional practice, makes it hard to know if the concierge or direct pay model is as effective as claimed, Dr. Phillips added.

A key challenge to operating a successful concierge practice is finding enough patients to sustain it, Bauer explained. Planning the switch involves setting a target number of patients needed for the doctor to make a decent income after paying practice expenses. For example, a doctor charging \$300 a month to 250 patients would gross \$900,000 per year, and then pay practice expenses from that. Attracting the target number of patients can take months or even years if the physician does not have professional support in this process, he noted.

“Most physicians enter into a concierge or direct pay model in order to spend more time focused on their patients, as well as get some of their own time back due to the increased burdens of volume and administrative tasks,” McElhaney said. “However, physicians still need to view a concierge, hybrid, or direct pay model from a revenue per patient perspective, which takes time into account, if they hope to maintain the same or higher level of income when outside of a traditional insurance model.”

From a legal perspective, the most seamless path to a concierge or direct-pay model is to simply stay out-of-network with any commercial or government payers and enter into individual contracts with each patient, said McElhaney. “In a hybrid model, the key is to be explicit in the agreement on those services that will and will not be provided, as well as have legal counsel review and/or provide a legal opinion on how those services differ from any other covered services in the in-network payer agreements.”

While a concierge or direct pay practice is not



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for every dermatologist, it can work for the right physician. “I think there is a need for concierge [and direct pay] dermatologists whether they do cosmetic dermatology or not,” Dr. Flanagan said, who says the model could be a promising option for a dermatology practice that has a busy Mohs surgeon and a lot of skin cancer patients.

“I would say to dermatologists: Decide what you want to do and look at your numbers. In some cases, people would rather get bought out and be an employee,” said Dr. Kupetsky. “But if a physician still has some entrepreneurial gas left in them, they might consider a concierge or direct pay model. It’s not a decision to take lightly.” **DW**

# Pros and cons of concierge, cash-only practices

## Cash-Only Practice

Patients pay out of pocket, then typically seek reimbursement from third-party payers (i.e., insurance companies) on their own.



### PROS

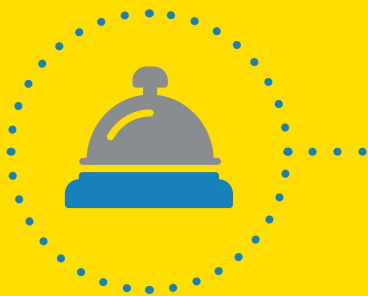
- > This model can create significant savings (e.g., no pre-authorizations, billing duties, etc.)
- > Patients may appreciate the price transparency, but you will need to clearly communicate costs and payment expectations ahead of time.

### CONS

- > Your practice will need a strong existing clientele in aesthetic services in order to make this shift successfully.
- > You will likely have some loss of patients after you make the transition.

## Concierge Practice

Concierge medicine involves patients paying a monthly or annual fee for enhanced services.



### PROS

- > Smaller patient base, more personalized care
- > Have the option to not accept insurance, which frees up time to focus on patients

### CONS

- > Best aligned with certain cosmetic procedures; model might not be right for medical and surgical dermatology
- > Must ensure your region has a large enough patient population to support the practice