Washington State
Health Care Authority

Report to the Legislature

Plan to Integrate Direct Patient-Provider Primary Care Practices
into PEBB Plans by 2013

RCW 41.05.019

December 1, 2011

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Legislative Report – 2ESB 5773

Executive Summary

Section 2, 2ESB 5773, codified as RCW 41.05.019 directs the Health Care Authority (HCA) to create an implementation plan detailing how coverage of Direct Patient-Provider Primary Care Practices (hereinafter referred to as "direct practices") can be incorporated into one or more PEBB health plans by 2013, and to communicate the implementation plan to both the legislative health care committees and the PEB Board in December 2011. The report will include any draft legislation necessary to remove statutory barriers to the implementation of this proposed PEBB benefit mandate.

Direct Patient-Provider Primary Care Practices offer their services to a limited number of patients who contract with the provider and pay a monthly fee that covers all of the primary care health care services they receive from the direct provider. The providers do not accept Medicare, and do not bill their patients' health plans for reimbursement. As long as these direct practice providers operate within the parameters outlined Chapter 48.150 RCW, the Office of Insurance Commissioner does not consider them to be offering prepaid health care, and they are not subject to state insurance laws.

Pursuant to Section 2, 2ESB 5773, HCA consulted with representatives of the Office of the Insurance Commissioner and the parties that testified on the direct practice provisions at legislative hearings on the legislation.

HCA developed two options wherein PEBB members who use direct practices may receive reimbursement for some portion of the monthly direct practice fees. These options can be offered through all three of PEBB's consumer-directed health plans with health savings accounts, and the UMP Classic PPO plan. Only Option 1 can be implemented without an additional allocation of funds; however Option 2 offers other advantages to members like direct payment and it provides opportunity for better analysis.

Direct Practice Provider / PEBB Plan Integration - 2013

This report derives from legislation passed in the 2011 session. RCW 41.05.019 provides:

(1) The Washington state health care authority shall develop a plan to incorporate direct patient-provider primary care practices as provided in chapter 48.150 RCW into one or more of the choices of health benefit programs made available to participants in the public employees' benefits board system beginning no later than the open enrollment period beginning November 1, 2012.

(2) The plan will be developed in consultation with the board and interested parties, will identify statutory barriers to implementation, and will include proposed legislation to address those barriers and implement the plan. The plan will be submitted to the board and to the House of Representatives and senate health care committees by December 1, 2011.
[2011 1st sp.s. c 8 § 2.]

What Is a Direct Patient-Provider Primary Care Practice?

Direct patient-provider primary care practices contract with patients and charge a monthly fee to the patient to cover most of the patient's primary care health care needs. In Washington these practices range in size and composition from a solo practitioner to a multi-specialty clinic with over 200 primary care providers that may participate in that groups Direct Practice. These providers may or may not participate in health plan networks in addition to their Direct Practices.

Direct Patient-Provider Primary Care Practice is defined in RCW 48.150.010, as follows:

(4) "Direct patient-provider primary care practice" and "direct practice" means a provider, group, or entity that meets the following criteria in (a), (b), (c), and (d) of this subsection:
(a)(I) A health care provider who furnishes primary care services through a direct agreement;
(ii) A group of health care providers who furnish primary care services through a direct agreement; or
(iii) An entity that sponsors, employs, or is otherwise affiliated with a group of health care providers who furnish only primary care services through a direct agreement, which entity is wholly owned by the group of health care providers or is a nonprofit corporation exempt from taxation under section 501(c)(3) of the internal revenue code, and is not otherwise regulated as a health care service contractor, health maintenance organization, or disability insurer under Title 48 RCW. Such entity is not prohibited from sponsoring, employing, or being otherwise affiliated with other types of health care providers not engaged in a direct practice;
(b) Enters into direct agreements with direct patients or parents or legal guardians of direct patients;
(c) Does not accept payment for health care services provided to direct patients from any entity subject to regulation under Title 48 RCW or plans administered under chapter 41.05, 70.47, or 70.47A RCW; and
(d) Does not provide, in consideration for the direct fee, services, procedures, or supplies such as prescription drugs, hospitalization costs, major surgery, dialysis, high level radiology (CT, MRI, PET scans or invasive radiology), rehabilitation services, procedures requiring general anesthesia, or similar advanced procedures, services, or supplies.

Development of Direct Patient-Provider Primary Care Practice Options

The following options for integration of the Direct Practice fees into one or more PEB health plans were developed with consideration of legal and cost factors. The following assumptions were made in the development of the options:

1. Existing law in Title 48, RCW prohibits health carriers and payers from negotiating group contract rates of reimbursement with direct practices.
2. Additional funding from the legislature may be required to implement this benefit, if mandated.
3. All PEBB health plans provide comprehensive primary health care benefits, including a broad range of preventive services that are not subject to any member cost-sharing or deductibles.
4. All PEBB health plans provide access to comprehensive health care services from a broad network of qualified health care providers.
5. PEBB members who use a direct practice will seek all non-emergent primary and preventive care through their direct practice (in lieu of the traditional primary and preventive care benefits offered through their comprehensive PEBB health plan).
6. The estimated uptake of this mandated benefit will likely be 1,000 members or less, considering both that access to direct practices is very limited and the full scope of health care services available from direct practices is already available to members through their existing health plan coverage.
7. The type of health care delivery arrangement offered by direct practices is available in only nine (9) Washington counties from 24 direct practices. Fees charged by Washington State direct practices range from $25 to $895 per adult per month with an average of about $85 per month.[1]

Option 1: PEBB Consumer-Directed Health Plans

Effective January 1, 2012, PEBB members may enroll in one of three Consumer-Directed Health Plans with a linked Health Savings Account (CDHP/HSA) and use their HSA funds to offset the monthly costs of their direct practice subscription fees. HCA received written confirmation from the IRS that these fees are an allowed HSA expense, without penalty. The IRS made this determination on the basis of the provisions of Chapter 48.150 RCW which state that Washington direct practice subscription fees are not insurance premiums.

The PEBB CDHP/HSA plans will be available in 2012 to members enrolled in an HSA[2]. These PEBB plans include annual employer funding of $700 for an individual member or $1400 for a family enrolled in one of the PEBB consumer-directed health plans with an HSA. Members may contribute additional funds to their HSAs. Members could therefore use their CDHP/HSA now to individually contract and pay a direct service provider. HCA would educate members during open enrollment of this option.

This option requires:

- No additional legislative or employer funding for member claims
- No additional administrative costs

[1] 2011 OIC Report on Direct Practice Primary Care Providers

[2] Members with primary coverage through Medicare are not eligible to enroll in an HSA.

- No additional administrative efforts (with the exception of minimal updates to member communications, which can be accomplished within existing resources)
- No changes to existing law (including Chapter 48.150 RCW)

It can begin with members who chose CDHP/HSA for 2012. This option does not provide a means for review and analysis to determine effectiveness (because bills are handled by individual members, so there would be no link to claim data)

Option 2: UMP Classic Member Reimbursement

If directed and financed, the Uniform Medical Plan - Classic (UMP) will add a new benefit making direct practice subscription fees a covered benefit by the Plan. The benefit will be an annual maximum reimbursed on a monthly basis. The amount of the benefit would be based on the average cost for UMP members' primary care and preventive care. This option can be made available as early as January 1, 2013. This method would be legal under the current insurance laws regarding direct practice providers, in RCW 48.150.

Just as is the case today, members will self-select the direct practice of their choice and pay any monthly fees. In order to receive the UMP benefit, the member must submit a health insurance claim form to UMP on a monthly basis showing proof of payment (no advance payments will be processed). The third party administrator for UMP (currently Regence BlueShield of Washington) will process the claim by reimbursing the UMP member 100% of the monthly amount until the annual maximum is reached. Payment will be made directly to the member. This benefit is very similar to the current process for vision hardware purchases, wherein members submit proof of payment and receive reimbursement up to the maximum allowed amount.

This option was designed to protect the patient-provider relationship inherent to the direct practice provider concept of eliminating the providers' administrative burden for insurance billing while also offering members an explicit benefit through the Plan.

This option requires:

- Additional funding estimated at $240,000[3] per biennium for the administrative costs related to processing of the monthly fees and Regence's custom system programming for data reporting to HCA.
- Changes to existing communications materials including open enrollment documents and changes to Certificates of Coverage
- No changes to existing law (including Chapter 48.150 RCW), as confirmed by the Office of the Insurance Commissioner.

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[3] Based on a reasonably priced estimate by Regence for 1,000 UMP Classic members enrolled in Direct Practices: $10 per manual claim transaction* 1,000 members * 24 months = $240,000

- No interaction between the direct provider and the health plan.
- Additional funding for at least a .25 FTE for on-going data analysis to determine the actual value to the plan for this benefit and for reporting out results.

HCA performed an analysis of 2010 UMP members' primary care and preventive care claims data to determine the average cost of preventive and primary care, per member per month. Establishing a monthly UMP reimbursement amount based on this analysis will allow HCA to cover a portion of the monthly subscription fees without an additional budget allocation for this option except for the administrative costs noted above.

HCA first identified how much PEBB currently spends on office-based preventive and primary care. HCA excluded service codes that could only be performed by a specialist or that were outside the scope of direct practice services as defined in RCW 48.150.010. HCA also excluded data from members who never used preventive or primary care. The analysis showed that in 2010 the average UMP amount paid for preventive and primary care was $24.88 per member per month.

To estimate future costs, HCA factored an estimated 5.5% unit cost trend increase year over year (based on preliminary actuarial analysis of present data). That analysis yielded the following results:

- In 2013, the UMP monthly benefit amount will be $29.22.
- In 2014, the UMP monthly benefit amount will be $30.82.
- In 2015, the UMP monthly benefit amount will be $32.52.

The PEBB recommendation to the PEB Board for the monthly direct practice benefit would be proportionate to these calculations.

Evaluation of Other Options

Other methods of integrating direct practice provider fees into PEBB plans (including contracting with direct practices or creating a new catastrophic wrap-around plan option) were examined and rejected as too costly and administratively burdensome to provide a benefit option for a very small segment of the overall PEBB membership.

Review of Direct Practice Value

HCA reviewed savings projections reported by a direct practice, but found some crucial data lacking or designed without appropriate scientific rigor. The data included incomplete patient encounter data and a small sample of self-selected patients under the age of 65. The comparison was to a variety of national benchmarks that were not necessarily congruous with the comparator group.

Because of the limited data available to ascertain whether the direct practice model is a cost efficient and evidence-based benefit, Option 2 would allow HCA a way to introduce this option to PEBB members as a pilot and provide HCA an opportunity to evaluate what value this relationship would provide.

If Option 2 is mandated and resources are funded for the addition of this benefit to the UMP PPO Classic plan, HCA will perform an analysis comparing UMP members who use direct practice services to those who do not, preferably through academic research standards. We believe that over time we may be able to compare utilization patterns, cost trends, and long-term health outcomes, if a sufficient number of UMP members enter into direct practice agreements. But it is very difficult, even under the best of circumstances and traditional models, to determine any actual value or savings. Evidence-based medical experts would agree that the challenges with proving the value of any service should not be underestimated. Considering the difficult challenges in health care, it might be well worth it to analyze the worth of this – and any – investment through a rigorous evidence based review.

HCA data analysis and reporting will not be performed under Option 1, as there will be no plan involvement in the members' use of their HSA funds to pay for direct practice fees.