

Direct practices in Washington state

Annual report to the Legislature

Dec. 1, 2019

Mike Kreidler, *Insurance Commissioner*
www.insurance.wa.gov

Table of contents

| | | |
|--|-----------|--|
| Direct practices in Washington state | 1 | |
| Table of contents | 3 | |
| Executive summary..... | 5 | |
| Participation trends in fiscal year 2019 | 5 | |
| Complaints received..... | 6 | |
| Voluntary data reported by direct practices | 6 | |
| Necessary modification to chapter..... | 6 | |
| Background | 7 | |
| Annual reports..... | 7 | |
| Definition of direct practices in Washington | 8 | |
| 2019 direct practice information | 10 | |
| Data from the annual statements | 11 | |
| Table 1. Data Summary | 11 | |
| Locations..... | 15 | |
| Participation in fiscal year 2019 | 18 | |
| Fees in fiscal year 2019..... | 19 | |
| Affordability of direct practices..... | 20 | |
| Table 2. Changes in practice census over time, based on monthly fee..... | 20 | |
| Direct practices and the insurance market | 21 | |
| How direct practices evolved | 23 | |
| Federal health care reform..... | 24 | |
| Washington state’s exchange legislation | 24 | |
| The future of direct practices..... | 26 | |
| How do direct practices operate under the ACA? | 26 | |
| How does the ACA affect consumers who have existing direct practice agreements?..... | 26 | |
| Nothing in federal health care reform bars direct practice arrangements from operating outside the Exchange. | 27 | |

Recommendations for legislative modifications28
Appendix A: Annual statement form29
Appendix B: Websites and addresses for direct practices36
Appendix C: Voluntary information statistics41

Executive summary

In 2007, the Washington state Legislature enacted engrossed Second Substitute Senate Bill 5958, which is codified as RCW 48.150. This bill created a new primary health care delivery option called direct patient-provider primary care practices or “direct practices.”

The bill requires the Office of the Insurance Commissioner (OIC) to report annually to the Legislature on direct health care practices. Under RCW 48.150.100(3), this includes but is not limited to “participation trends, complaints received, voluntary data reported by the direct practices and any necessary modifications to this chapter.”

In a direct health care practice, a health care provider charges a patient a set monthly fee for all primary care services provided in the office, regardless of the number of primary care visits used or if the patient received no care during that period. No insurance plan is involved, although patients may have separate insurance coverage for more costly medical services. Direct practices are sometimes called “retainer” or “concierge” practices.

The 2019 annual report on direct patient-provider primary care practices analyzes two fiscal years of annual statements:

- **Fiscal year 2019:** July 1, 2018 through June 30, 2019.
- **Fiscal year 2018:** July 1, 2017 through June 30, 2018.

Participation trends in fiscal year 2019

- There were approximately 14,482 direct practice patients out of 7.5 million Washington state residents¹, 0.19 percent of the population.
- Patient participation decreased by 3,786 patients, or 20.72%, from the 18,268 patients in 2018.
- The number of practices registered with the OIC decreased to 34 from 41 in 2018.
- Fees changed in the following ways:
 - Eight direct practices did not change their fees.
 - Four direct practices decreased fees.

¹ As reported by the U.S. Census Bureau

- Nineteen direct practices increased fees.
- Three direct practices did not respond in 2018.

Complaints received

The OIC's consumer advocacy group received two complaints regarding direct patient practices.

Voluntary data reported by direct practices

While all of the registered practices responded to the mandatory questions, not all of the direct practices chose to report voluntary information. Some said they do not collect this information, and others simply did not respond to the voluntary questions.

Necessary modification to chapter

The annual statement contains questions that direct practices are required to answer and questions they are not required to answer. Historically, direct practices do not answer the voluntary questions. As a result, it is difficult for the OIC to monitor for compliance with Chapter 48.150 RCW without the relevant information concerning the practices. For example:

- RCW 48.150.020 prohibits discrimination by direct providers. However, the questions that seek information about the possibility of discrimination in practices are voluntary and are most often left blank.
- Additionally, RCW 48.150.050 prohibits direct practices from establishing a direct practice agreement with employers, but the questions directed at ascertaining compliance with this provision are voluntary.

There is no practical means for the OIC to monitor direct practices for compliance with Chapter 48.150 RCW. Therefore, the OIC recommends removing the term "voluntary data" from the statute for clarity and requiring direct practices to answer all of the questions on the annual statement.

The OIC also recommends the Legislature further clarify that employer offerings are unlawful due to the increase in direct practices offering employer plans and marketing to employees. It is likely that the language in RCW 48.150.050 that permits employers to pay direct practice fees on behalf of their employees has been misconstrued by direct practices to provide permission to create employer plans. Consumers and employers would be best protected by either removing employer payments or adding further clarification.

Background

In 2007, the Washington Legislature enacted a law to encourage innovative arrangements between patients and providers and to promote access to medical care for all citizens.

Engrossed Substitute Senate Bill 5958, known as the direct patient-provider primary health care bill and codified as Chapter 48.150 RCW, identified direct practices as “a means of encouraging innovative arrangements between patients and providers and to help provide all citizens with a medical home.”

Prior to the passage of this law, health care providers engaged in direct patient practices were subject to current state law governing health care service contractors. However, due to the limited nature of the business model, the agency recognized that imposing the full scope of regulation under this law was not practical for a limited number of providers that wished to offer this model to their patients.

The 2007 law provides that registered direct practices operate under the safe harbor created by RCW 48.150 and are not insurers, health carriers, health care service contractors or health maintenance organizations as defined in RCW Title 48. As such, they operate without having to meet certain responsibilities that are required for insurers, including but not limited to financial solvency, capital maintenance, market conduct, and reserve and filing requirements. As a result, the OIC’s regulatory authority over registered direct practices is extremely limited.

During the 2014 legislative session, the Legislature passed ESSB 1480. This bill amends RCW 48.150.040 to allow direct practices to dispense an initial supply of generic prescription drugs if the supply does not exceed 30 days and does not involve an additional cost to the patient.

In regard to direct practices, the OIC’s regulatory role is registering direct practices and reviewing the annual statements from direct practices, which the OIC then reports to the Legislature on Dec. 1 each year.

Annual reports

State law requires direct practices to submit annual statements to the OIC that include:

- The number of providers in each practice.
- The total number of patients.

- The average direct practice fee.
- Names of direct practice providers.
- Business addresses.

The Legislature did not give the OIC specific rulemaking authority over direct practices. However, the OIC has the authority to tell direct practice clinics how to submit the statements, what format to follow in submitting statements, and what data to include.

The information in the annual report that the OIC submits to the Legislature must include:

- Participation trends.
- Complaints the OIC has received.
- Voluntary data that direct practices have reported.
- Any modifications to the chapter that the OIC recommends are necessary.

Definition of direct practices in Washington

Direct patient-provider primary care practices (direct practices) also are sometimes called retainer medicine or concierge medicine. Washington's defines direct practices in RCW 48.150.010 as a provider that:

- Charges a monthly fee for providing primary care services.
- Offers only primary care services.
- Enters into a written agreement with patients describing the services and fees.
- Does not bill insurance to pay for any of the patient's primary care services.

A direct practice is a model of care in which physicians charge a predetermined, fixed monthly fee to patients for all primary care services provided in their offices, regardless of the number of visits, even if no health care services are obtained. RCW 48.150.010(8) defines "primary care services" as routine health care services, including screening, assessment, diagnosis, and treatment for the purpose of promotion of health, and detection and management of disease or injury.

Direct practices cannot market or sell to employer groups.

In 2009, the Legislature made minor modifications to the original legislation. The modifications allow direct practices to accept a direct fee paid by an employer on behalf of an employee who is a patient. However, the law still prohibits employers from entering into coverage agreements with direct practices.

Physicians who provide direct care say their practices serve fewer patients than conventional practices, but give patients more time during office visits to ask questions and receive explanations regarding medical care. Some direct practices offer additional services, such as same-day appointments, extended business hours, home visits and 24-hour emergency physician availability.

Direct practices do not provide comprehensive coverage. Under RCW 48.150.010(4)(d), direct practice services must not include more than an initial 30-day supply of prescription drugs, hospitalization, major surgery, dialysis, high-level radiology, rehabilitation services, procedures requiring general anesthesia, or similar advanced procedures, services or supplies. In fact, RCW 48.150.110(1) requires direct practice agreements to contain this disclaimer: "This agreement does not provide comprehensive health insurance coverage. It provides only the health care services specifically described."

2019 direct practice information

Direct practices originally began filing annual statements with the OIC in October 2007. For the 2019 report, the OIC sent the annual statement to the direct practices in September 2019. The statement collects the mandatory information that state law requires and asks several voluntary questions.

Direct practices file a statement with the OIC to register and then annually submit a statement to continue to offer direct practice services. Over the past year, the OIC has seen an increase in the need to protect consumers from unlawful direct practice agreements. When a direct practice submits a statement, the OIC reviews direct practice agreements from compliance with Chapter 48.150 RCW, the laws governing direct practices. There has been an increase in improper fees detailed in contracts, such as fees that discriminate against consumers for health status by charging more for a patient's health status, not proving for refunds for consumers who have paid in advance but would like to terminate their direct-practice agreement, and charging cancellation fees.

More frequently, direct practice agreements are failing to include the information required by law so that patients are fully informed. For example, agreements are failing to inform consumer of costs for services not covered by the agreement, but simply state that some services may involve additional costs. Agreements are frequently failing to include a disclaimer statement to inform consumer that a direct practice agreement is not comprehensive coverage, so that the consumer understands that emergency and specialty care must be paid out of pocket or that consumers should purchase a supplemental health plan. Rarely, do direct practice agreements contain the contact information for the OIC as required by RCW 48.150.100 to inform of consumer of their ability to call us if they have any concerns or questions. Ensuring Washington consumers are protected from unlawful practices has involved an increasing amount of time for the OIC to conduct these reviews.

Of greater concern is the number of statements the OIC has received that indicate that the practice has been operating for some or a significant amount of time without ever submitting a statement to the OIC. This practice exposes consumers to potential harm from unlawful agreements and business practices that may not comply with Chapter 48.150 RCW, such as the large number of agreements that we have seen recently.

Additionally, the OIC has noticed an increase in direct practices marketing to employers and offering what appear to be employer plans. The OIC is in the process of investigating these practices to determine if they are in compliance with Chapter 48.150, but there are strong indications that raise significant concerns that direct practices are moving beyond direct-patient primary care to employer-based offerings.

Data from the annual statements

This report compares data from two fiscal years of annual statements:

- **Fiscal year 2019:** July 1, 2018 – June 30, 2019
- **Fiscal year 2018:** July 1, 2017 – June 30, 2018

The following chart summarizes data that the OIC collected in fiscal year 2019.

Information for prior years is available in past reports² on the [OIC's website](#).

Table 1. Data Summary

| Practice Name and Location | # of patients FY 2018 | # of patients FY 2019 | Monthly fee FY 2018 | Monthly fee FY 2019 |
|---|-----------------------|-------------------------|---------------------|--------------------------------|
| Affordable Access/ Part of Snoqualmie Hospital | 117 | 133 | \$40 | \$40 |
| Snoqualmie | | | | |
| Anchor Medical Clinic | 150 | 50 | \$100 | \$200 |
| Freeland | | | | |
| Assurance Healthcare & Counseling Center | 863 | 1507 | \$75 | \$95 |
| Yakima | | | | |
| Bellevue Medical Partners | 560 | Did not respond in 2019 | \$185 | Did not respond in 2019 |
| Bellevue | | | | |
| BlissMD | 369 | 350 | \$174.30 | \$178.00 |
| Seattle | | | | |

² Link to past reports: <https://www.insurance.wa.gov/about-oic/reports/commissioner-reports/>
Direct practices in Washington state | Dec. 1, 2019

| | | | | |
|-------------------------------------|-------------------------|-------------------------|-------------------------|--------------------------------|
| CARE Medical Associates | 288 | 297 | \$123.36 | \$150 |
| Bellevue | | | | |
| The Charis Clinic | 3 | Did not respond in 2019 | \$69 | Did not respond in 2019 |
| Edmonds | | | | |
| Coho Medical Group | 105 | 123 | \$69 | \$79 |
| Bellevue | | | | |
| Cosmas Primary Care, P.S. | 68 | 67 | \$83 | \$78 |
| Tacoma | | | | |
| Edmonds Health Clinic | 27 | 39 | \$95 | \$95 |
| Edmonds | | | | |
| Family and Wellness Medicine | New report in 2019 | 6 | New report in 2019 | \$75 |
| Federal Way | | | | |
| Family Care of Kent | 1500 | Did not respond in 2019 | \$60 | Did not respond in 2019 |
| Kent | | | | |
| Family Care of Spokane | 165 | 153 | \$69 | \$140 |
| Spokane | | | | |
| GoodMed Direct Primary Care | 305 | 327 | \$50 | 60 |
| Seattle | | | | |
| Guardian Family Care | 255 | 189 | \$107.50 | \$145 |
| Mill Creek | | | | |
| Heritage Family Medicine | Did not respond in 2018 | 24 | Did not respond in 2018 | \$55 |
| Olympia | | | | |
| Hudson's Bay Medical Group | 11 | Did not respond in 2019 | \$60 | Did not respond in 2019 |
| Vancouver | | | | |

| | | | | |
|---|------|-------------------------|---------|--------------------------------|
| Jared Hendler, M.D. | | | | |
| Bainbridge Island | 89 | 89 | \$247 | \$234 |
| Lacamas Medical Group | | | | |
| Camas | 145 | 117 | \$60 | \$60 |
| Lissa Lubinski MD | | | | |
| Port Angeles | 124 | Did not respond in 2019 | \$42 | Did not respond in 2019 |
| The Manette Clinic | | | | |
| Bremerton | 587 | 790 | \$67 | \$77 |
| MD² Bellevue | | | | |
| Bellevue | 199 | 202 | \$1,082 | \$118 |
| MD² Seattle | | | | |
| Seattle | 230 | 232 | \$956 | \$128 |
| Office of Michael Jackson | | | | |
| University Place | 1 | Did not respond in 2019 | \$60 | Did not respond in 2019 |
| Oodle Family Medicine | | | | |
| Renton | 61 | 100 | \$45 | \$45 |
| Paladina Health | | | | |
| Federal Way, Puyallup, Tacoma, Vancouver | 2209 | Did not respond in 2019 | \$69 | Did not respond in 2019 |
| Patient Direct Care | | | | |
| Battle Ground | 2300 | 1672 | \$42 | \$32 |
| PeaceHealth Medical Group Vancouver | | | | |
| | 27 | 29 | \$85 | \$100 |
| Pier View Chiropractic | | | | |
| Normandy Park | 145 | Did not respond in 2019 | \$96 | Did not respond in 2019 |
| RediMedi Clinic | | | | |
| Wenatchee | 635 | 712 | \$50 | \$55 |
| Ridgefield Family Medicine | | | | |
| | 53 | Did not respond in 2019 | \$60 | Did not respond in 2019 |

| | | | | |
|---|--------------------|--------------------|--------------------|---------------------------|
| Ridgefield | | | | |
| Seattle Medical Associates | 3113 | 3093 | \$137 | \$160 |
| Seattle | | | | |
| Seattle Premier Health | 526 | 562 | \$208 | \$235 |
| Seattle | | | | |
| Sound Clinical Medicine | 8 | 9 | \$60 | \$125 |
| Gig Harbor | | | | |
| Sound Medicine and Wellness | 50 | 75 | \$200 | \$208 |
| Seattle | | | | |
| Swedish Ballard Family Medicine Clinic | 36 | 50 | \$55 | \$55 |
| Seattle | | | | |
| Total Care Clinics | 59 | 46 | \$60 | \$60.00 |
| Kennewick | | | | |
| TransforMD Primary Care | New report in 2019 | 18 | New report in 2019 | \$70 |
| Bothell | | | | |
| True North Health Services | 6 | CLOSED per website | \$65 | CLOSED per website |
| Spokane | | | | |
| Urgent Medical Center | 10 | 10 | \$60 | \$60 |
| Vancouver | | | | |
| Vantage Physicians | 792 | 828 | \$93 | \$128 |
| Olympia | | | | |
| Vintage Direct Primary Care | 907 | 1032 | \$63 | \$43 |
| Poulsbo | | | | |

| | | | | |
|---|---------------|---------------|-------|--------------|
| Washington Park Direct Care | 1032 | 1290 | \$49 | \$60 |
| Centralia | | | | |
| Wise Patient Internal Medicine | 138 | 261 | \$100 | \$100 |
| Seattle | | | | |
| Total number of patients in all direct practices | 18,268 | 14,482 | | |

Locations

In 2019, 34 direct practices submitted an annual statement.

- 3 direct practices opened and/or began reporting to the OIC:
 - Family and Wellness Medicine
 - TransforMD Primary Care
 - Heritage Family Medicine Olympia
- 10 clinics reported they no longer provide direct practice services/or did not submit their annual statement to renew their registration with the OIC:
 - Bellevue Medical Partners Bellevue
 - The Charis Clinic Edmonds
 - Family Care of Kent
 - Hudson's Bay Medical Group
 - Lissa Lubinski, M.D. Port Angeles
 - Office of Michael Jackson University Place
 - Paladina Health Federal Way, Puyallup, Tacoma, Vancouver
 - Pier View Chiropractic Normancy Park

- Ridgefield Family Medicine Ridgefield
- True North Health Services Spokane

Direct practices operate in 12 Washington counties:

Benton:

- Total Care Clinics

Clark:

- Direct Care Clinics
- Lacamas Medical Group
- PeaceHealth Medical Group Family Practice
- Urgent Medical Center

Douglas:

- RediMedi Clinic

Island County:

- Anchor Medical Clinic

King:

- BlissMD
- Care Medical Associates
- Coho Medical Group
- Family and Wellness Medicine
- GoodMed Direct Primary Care
- MD2 – Bellevue

- MD2 – Seattle
- Oodle Family Medicine
- Seattle Medical Associates
- Seattle Premier Health
- Snoqualmie Valley Hospital
- Sound Medicine and Wellness
- Swedish Ballard Family Medicine Clinic
- Wise Patient Internal Medicine

Kitsap:

- Jared Hendler, MD
- The Manette Clinic
- Vintage Direct Primary Care

Lewis:

- Washington Park Direct Care

Pierce:

- Cosmas Primary Care, P.S.
- North End Tacoma Health, P.L.L.C.
- Sound Clinical Medicine, P.S.

Snohomish:

- Edmonds Health Clinic
- Guardian Family Care
- TransforMD Primary Care

Spokane:

- Family Care of Spokane
- DGB, P.L.L.C.

Thurston:

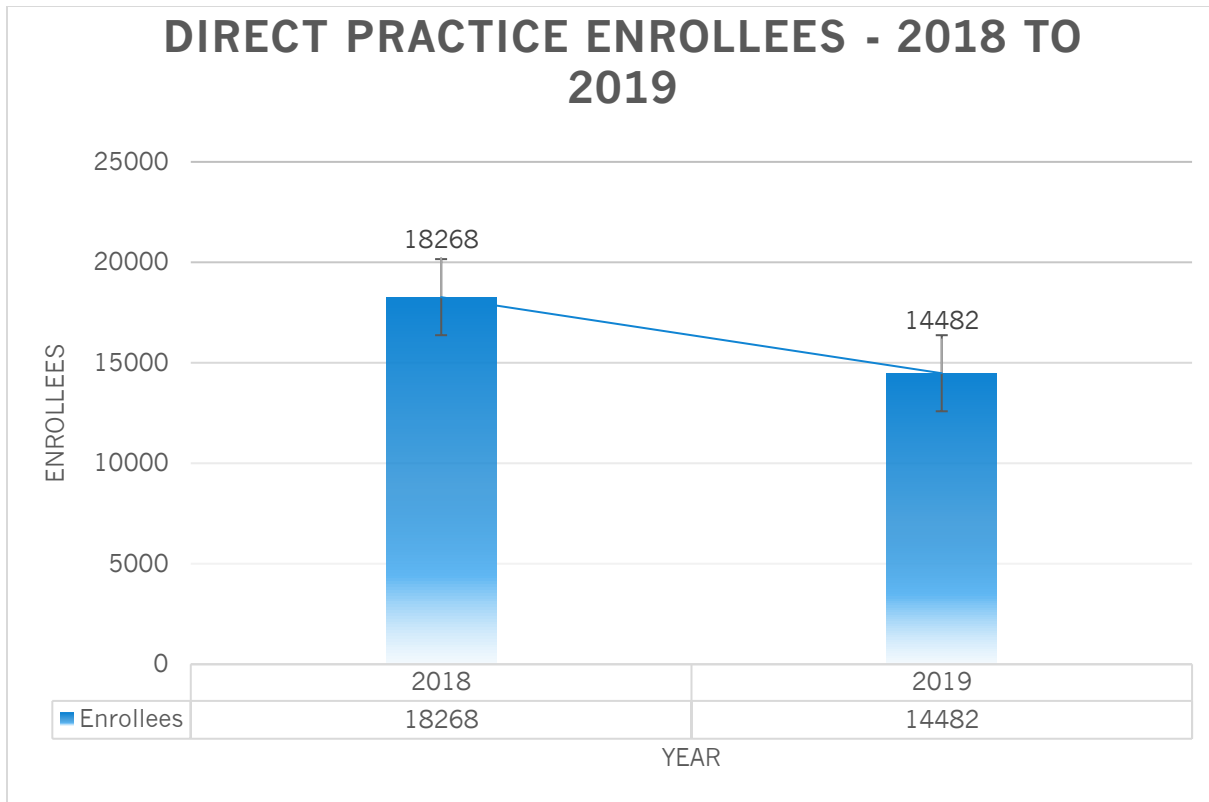
- Heritage Family Medicine
- Vantage Physicians

Yakima:

- Assurance Healthcare & Counseling Center

Participation in fiscal year 2019

- Enrollment increased at 19 direct practice clinics.
 - There were 18,268 enrollees in fiscal year 2018 and 14,482 enrollees in 2019, a decrease of 20.72%.
 - One clinic experienced an enrollment increase of 644 clients: Assurance Healthcare & Counseling Center in Yakima grew from 863 patients in 2018 to 1,507 patients in 2019, a 74% increase.
 - 20 clinics reported a total of 1,665 new patients, gaining as few as one patient (Sound Clinical Medicine) to as many as 644 patients (Assurance Healthcare & Counseling Center).
- Nine clinics reported a total decrease of 887 direct practice patients.
- 16 direct practices voluntarily reported that they participate as in-network providers in a health carriers' networks. This is a significant change since 2007, when all direct practices reported that they performed direct-patient provider primary care practices exclusively.



- 33 practices voluntarily reported the percentage of their business that is direct practice.
 - Eight practices reported that less than 5% of their business is direct practice.
 - One practice reported that between 15% - 20% of its business is direct practice.

Fees in fiscal year 2019

- Fees at eight of the direct practices remained the same as last year.
- 19 direct practices increased their monthly fees.
 - 17 practices increased their fees by \$5 per month or more.
 - The highest increase was MD² Seattle, which raised its fees by \$585.84 per month.

- Four direct practices decreased their fees \$1 - \$20 per month.
- The average monthly fee increased from \$133.43 in fiscal year 2018 to \$183.97, mostly because the new direct practices have a monthly fee of \$66.60 and a number of clinics increased their fees.
 - The highest monthly fee is \$1,541.67 per month at MD² Seattle.
 - The lowest monthly fee is \$32 per month at Patient Direct Care in Battle Ground.
- New direct practices' monthly fees range from \$55 (Heritage Family Medicine in Olympia) to \$75 (Family and Wellness Medicine in Federal Way) per month.

Affordability of direct practices

A key assumption underlying the legislation was that direct practices could provide affordable access to primary services. In theory, this would reduce pressure on the health care safety net or relieve problems caused by a shortage of primary care physicians, and possibly reduce emergency room use.

Monthly fees at direct practices vary from \$32 to over \$1,541. Enrollees at eight practices pay between \$100 and \$200 per month. In contrast, enrollees at 21 direct practices pay \$100 or less, and enrollees at five direct practices pay more than \$200 per month. The OIC does not collect data regarding the affordability of the fees for direct practice patients.

Table 2. Changes in practice census over time, based on monthly fees

| 2019 changes in practice census | | | | | |
|---------------------------------|---------------|-------------|--------------|---------------|---------|
| Monthly fee | \$ 50 or less | \$51 - \$75 | \$76 - \$100 | \$101 - \$200 | \$201 + |
| FY 2019 Enrollees | 2,917 | 2,600 | 2,816 | 4,969 | 1160 |
| FY 2019 Practices | 4 | 10 | 7 | 8 | 5 |
| FY 2018 Enrollees | 4,574 | 6,668 | 1347 | 4,585 | 532 |
| FY 2018 Practices | 4 | 17 | 7 | 5 | 3 |
| FY 2017 Enrollees | 2,556 | 5,336 | 1,348 | 4,554 | 996 |

| | | | | | |
|--------------------------|------|------|------|------|-----|
| FY 2017 Practices | 6 | 18 | 7 | 5 | 3 |
| FY 2016 Enrollees | 1511 | 2581 | 2167 | 4151 | 862 |
| FY 2016 Practices | 8 | 8 | 6 | 6 | 2 |
| FY 2015 Enrollees | 1519 | 2651 | 2737 | 3757 | 840 |
| FY 2015 Practices | 10 | 10 | 6 | 6 | 3 |

Direct practices and the insurance market

The OIC annual re-registration statement asks direct practice clinics if they collect information about patients' other health plans when they enroll. For 2019, 22 of the 34 direct practices that responded to the OIC statement said they collect this information.

According to the clinics that reported this voluntary information, the number of direct practice clients who are uninsured are:

- **Fiscal year 2019:** 599 enrollees, or 4.1 percent.
- **Fiscal year 2018:** 317 enrollees, or 1.7 percent.

Under state law, direct practices cannot bill insurers for primary care services provided under the direct practice agreement because this would result in collecting twice for services provided. Patient are advised to obtain other insurance such as a high-deductible health plan, also called a catastrophic plan, to ensure that emergency or other services can be covered.

The number of direct practice clients who have private insurance (non-Medicare, non-Medicaid) are:

- **Fiscal year 2019:** 17 direct practices reported 3,626 enrollees who had private insurance, or 25 percent of all enrollees.
- **Fiscal year 2018:** 13 direct practices reported 4,375 enrollees who had private insurance, or 23 percent of all enrollees.

Nineteen direct practices reported the following Medicare enrollment:

- **Fiscal year 2019:** 2,578 enrollees or 17.8 percent.
- **Fiscal year 2018:** 1,514 enrollees or 8 percent.

Nineteen direct practices reported the following Medicaid enrollment:

- **Fiscal year 2019:** 234 enrollees or 1.6 percent.
- **Fiscal year 2018:** 214 enrollees or 1 percent

How direct practices evolved

Washington state is the birthplace of direct practices. The origins of this approach are often traced to a practice called MD² that began in 1996.

Since then:

- The American Medical Association and the American Academy of Family Physicians have established ethical and practice guidelines for direct practices.
- In 2003, the federal establishment of Health Savings Accounts (HSA) promoted consumer-directed medicine, which includes direct practices.
- In 2003, the Society for Innovative Medical Practice Design formed, representing direct practice physicians (its initial name was the American Society of Concierge Physicians).
- In 2004, the federal Office of the Inspector General for the Department of Health and Human Services warned practices about “double dipping,” and began taking enforcement steps against physicians who charged Medicare beneficiaries extra fees for already covered services, such as coordination of care with other health care providers, preventative services and annual screening tests. The practices were referred to under various names: concierge, retainer, or platinum practices.
- In 2005, the U.S. Government Accountability Office issued [GAO Report 05-929](#)³, called “Physician Services: Concierge Care Characteristics and Considerations for Medicare.” At the time, there were 112 “concierge physicians” nationwide who charged annual fees ranging from \$60 to \$15,000.
- In 2006, the OIG determined that retainer practices are insurance. West Virginia’s insurance commissioner made the same ruling in 2006.
- In 2007, Washington became the first state to define and regulate direct patient primary care practices and to prohibit direct practice providers from billing insurance companies for services provided to patients under direct practice agreements.

³ Link to GAO report: <http://www.gao.gov/assets/250/247393.pdf>

Federal health care reform

On March 23, 2010, President Obama signed The Patient Protection and Affordable Care Act (PPACA), commonly referred to as the Affordable Care Act (ACA). It required the development of health benefit exchanges, beginning in 2015, to help individuals and small businesses purchase health insurance and qualify for subsidies that are available only for plans that are sold through an exchange.

Under the ACA, an exchange cannot offer any health plan that is not a qualified health plan, and each qualified health plan must meet requirement standards and provide an essential benefit package. Essential health benefits include:

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services, including behavioral health treatment
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including dental and vision care

Since September 23, 2010, the federal Affordable Care Act (ACA) has required new health plans to eliminate cost-sharing requirements for evidence-based items or services that have an A or B rating from the United States Preventive Services Task Force.

Washington state's exchange legislation

In 2013, the Washington Legislature passed E2SHB 2319, "An act relating to furthering state implementation of the health benefit exchange and related provisions of the affordable care act." This is called "The Exchange Bill."

Section 8(3) of the bill, now codified as RCW 43.71.065(3), allows the Exchange Board to permit direct primary care medical home plans, consistent with section 1301 of the ACA, to be offered in the Exchange beginning on January 1, 2015.

Section 1301(a)(3) TREATMENT OF QUALIFIED DIRECT PRIMARY CARE MEDICAL HOME PLANS.

The Secretary of Health and Human Services shall permit a qualified health plan to provide coverage through a qualified direct primary care medical home plan that meets the criteria established by the Secretary, so long as the qualified health plan meets all requirements that are otherwise applicable and the services covered by the medical home plan are coordinated with the entity offering the qualified health plan.

The future of direct practices

These provisions raise questions about the direct practice model of care in the following areas:

How do direct practices operate under the ACA?

Direct practices are not insurers and are only authorized to offer primary care services to their direct practice patients. Direct practices are not able to provide comprehensive health care. Therefore, under the ACA, they are not qualified health plans eligible for sale through the Exchange.

The ACA does specify that a “qualified health plan” may provide coverage “through a qualified direct primary care medical home plan.” As a result, a direct practice may contract with a carrier to provide primary care services in a carrier’s qualified health plans in addition to offering direct practice services to patients, but cannot bill an insurance carrier for services rendered under a direct practice agreement.

How does the ACA affect consumers who have existing direct practice agreements?

The individual mandate responsibility provision of the ACA requires consumers to purchase health insurance that provides for the essential health benefits and will cover emergency services. Direct practice agreements only provide primary care services and do not cover emergency services. As such, they do not qualify as health insurance, so they do not meet the individual mandate requirement, although this mandate is not enforced by the current administration.

The Washington Health Benefit Exchange (Exchange) opened in late 2014 and began selling policies that were effective starting January 1, 2015. Enrollment both inside and outside of the Exchange for the individual market showed a dramatic increase, with approximately 51,000 more health insurance enrollees in 2016 than in 2014.

Consumers who purchase health plans through the Exchange receive numerous benefits:

- If they meet income requirements, they’re eligible for subsidies or premium tax credits, which are not available outside of the Exchange. It’s possible that consumers who receive these financial incentives might cancel their direct practice agreements.
- Exchange health plans cover essential health benefits (EHBs), including but not limited to preventive services and chronic disease management. If a consumer pays a direct practice instead of obtaining a health plan that covers EHBs, the consumer would only receive primary care, preventive services and chronic disease management services. Direct practices do not provide access to

specialists or emergency care and the consumer have to pay out-of-pocket for other medical services, including emergency or specialist services, unless they also obtain health insurance.

- If a consumer has health insurance, there are limitations on the maximum out-of-pocket expenses. A maximum out-of-pocket expense is the total amount of the plan's annual deductible and other annual out-of-pocket expenses other than premiums that the insured is required to pay, such as copayments and coinsurance. Once that limit is reached, a consumer does not pay for co-insurance expenses, such as co-payments. However, consumers' costs associated with a direct practice will not count as cost-sharing expenses under most health plans and will not be applied to reduce the maximum out of pocket limitation because those services are not received as a part of a health plan benefit. For example, a direct practice provider is not a network provider and cannot bill health carriers regulated under chapter 48 RCW for health care services because those services are being paid by the consumer through the direct practice agreement and would result in double payment. Therefore, the consumer does not benefit from direct practice monthly fees counting toward annual maximum out-of-pocket expense limits.

Operating outside the Washington State Health Benefit Exchange

Nothing in federal health care reform bars direct practice arrangements from operating outside the Exchange.

There appears to still be a market for exclusive direct practices that cater to wealthier consumers and offer more of a concierge model, as well as for consumers who can't buy health care coverage on the Exchange, such as undocumented immigrants. In addition, some consumers simply join direct practices because they like the personal service, so these consumers may still continue to use direct practices.

Recommendations for legislative modifications

Washington is at the forefront of national regulation of direct primary care practices. Although direct primary care practices have not gained significant market share, they are present in 12 counties in Washington.

The annual statement contains questions that direct practices are required to answer and questions they are not required to answer. Historically, direct practices do not answer the voluntary questions. As a result, it is difficult for the OIC to monitor for compliance with Chapter 48.150 RCW without the relevant information concerning the practices. For example:

- RCW 48.150.020 prohibits discrimination by direct providers. However, the questions that seek information about the possibility of discrimination in practices are voluntary and are most often left blank.
- Additionally, RCW 48.150.050 prohibits direct practices from establishing a direct practice agreement with employers, but the questions directed at ascertaining compliance with this provision are voluntary.

There is no practical means for the OIC to monitor direct practices for compliance with Chapter 48.150 RCW. Therefore, the OIC recommends removing the term “voluntary data” from the statute for clarity and requiring direct practices to answer all of the questions on the annual statement.

The OIC also recommends the Legislature further clarify that employer offerings are unlawful due to the increase in direct practices offering employer plans and marketing to employers. It is likely that the language in RCW 48.150.050 that permits employers to pay direct practice fees on behalf of their employees has been misconstrued by direct practices to provide permission to create employer plans. Consumers and employers would be best protected by either removing employer payments or adding further clarification.

Appendix A: Annual statement form

The OIC collects annual statement information in an online form. A summary of the questions are provided below.

1. Practice name (Include all names utilized, such as a DBA name, so that all names can be listed as registered).

Practice Name

DBA Name

2. If the practice utilizes more than one name, please identify which name should be the primary name that the practice will be listed under:

Primary Name

3. Contact person for this statement:

Name

Title

Email Address

Phone Number

4. Will this contact person also be the person to contact when it is time to renew the registration? If not, please identify that person.

Name

Title

Email Address

Phone Number

5. What is the practice's address?

| | |
|------------------------|---|
| Name | <input type="text"/> |
| Company | <input type="text"/> |
| Address | <input type="text"/> |
| City/Town | <input type="text"/> |
| State/Province | <input type="text" value="- select state"/> |
| ZIP/Postal Code | <input type="text"/> |
| Country | <input type="text"/> |
| Email Address | <input type="text"/> |
| Phone Number | <input type="text"/> |

6. Please answer, If there is another practice location other than the primary location, please identify the practice location if the practices are not registered separately.

| | |
|------------------------|---|
| Name | <input type="text"/> |
| Company | <input type="text"/> |
| Address | <input type="text"/> |
| City/Town | <input type="text"/> |
| State/Province | <input type="text" value="- select state"/> |
| ZIP/Postal Code | <input type="text"/> |
| Country | <input type="text"/> |
| Email Address | <input type="text"/> |
| Phone Number | <input type="text"/> |

7. Identify all of the providers in your practice who provide direct practice care:

Provider 1:

Provider 2:

Provider 3:

Provider 4:

8. Identify all affiliated or partner direct care providers if you are part of a group of direct care providers:

1:

2:

3:

4:

9. What is the total number of patients currently enrolled in your direct practice?

10. What is the monthly membership fee?

11. If the practice will have more than one monthly membership rate, please describe the different membership fee levels.

12. Does the practice offer an annual membership?

Yes

No

If there is more than one type annual membership fee rate, please describe the different fee levels and how those funds are collected.

13. What is the annual membership fee?

14. If the annual membership funds are collected in advance for the year, has the practice established set up a trust account?

Yes

No

15. List all services provided as a part of your direct care agreement:

16. List all services offered for an additional cost (if any):

17. What is the name and contact information of the person designated to receive and address any patient complaints?

Name

Company

Email Address

Phone Number

18. Is the practice providing any care to groups of people, such as employer groups as a part of the direct practice?

- Yes
- No

If Yes, Please describe:

19. Has the practice discontinued any patients?

YES / NO

A. If YES, how many patients has the direct practice discontinued?

B. If YES, what was/were the reasons for the discontinuation(s)?

20. Has the practice declined to accept any patients?

YES / NO

If Yes, how many patients did the practice decline to accept?

If Yes, please specify the reason for declining to accept that patients:

21. Do any of your clinic's direct practice providers participate as an in-network provider in a health carrier's network?

Yes

No

22. What percentage of the practice's business is direct practice?

23. What is the direct practice's website address:

24. When a new patient signs a direct practice agreement, does your clinic collect information about other health coverage the patient may have?

Yes No

25. If you answered yes to question above, how many of your direct practice patients:

| | |
|--------------------------------------|----------------------|
| Have Medicaid | <input type="text"/> |
| Have Medicare | <input type="text"/> |
| Have private health Insurance | <input type="text"/> |
| Are uninsured | <input type="text"/> |
| Another form of health Care coverage | <input type="text"/> |

26. Please upload the latest copy of your direct practice agreement, including fee structure, disclosure statement and all marketing materials to the correctly corresponding upload link.

Appendix B: Websites and addresses for direct practices

| Direct Practice | Address | Website |
|---|---|---|
| Affordable Access | 35020 SE Kinsey Street | http://www.snoqualmiehospital.org/ |
| | Snoqualmie, WA 98065 | |
| Anchor Medical Clinic | 1412 Castlewood Court | http://www.anchormedicalclinic.com/ |
| | Freeland, WA 98249 | |
| Assurance Healthcare & Counseling Center | 1020 South 40 th Avenue, Suite A | http://assurancehealth.org/ |
| | Yakima, WA 98908 | |
| Bellevue Medical Partners | 11711 NE 12th Street, Suite 2-B | http://www.bellevuemedicalpartners.com/ |
| | Bellevue, WA 98005 | |
| BlissMD | 2914 East Madison, Suite 109 | http://www.blissmd.com/ |
| | Seattle, WA 98112 | |
| CARE Medical Associates | 1407 116th Avenue NE, Suite 102 | http://www.cmadoc.com/ |
| | Bellevue, WA 98004 | |
| The Charis Clinic | 23601 Highway 99, Suite A | http://charisclinic.com/ |

| | | |
|-------------------------------------|---------------------------------------|---|
| | Edmonds, WA 98026 | |
| Coho Medical Group | 1515 116th Avenue NE, Suite 201 | http://www.cohomedical.com/ |
| | Bellevue, WA 98004 | |
| Cosmas Primary Care, P.S. | 2115 S. 56th St., Ste. 103 | http://cosmasprimarycare.com |
| | Tacoma, WA 98409 | |
| Edmonds Health Clinic | 221 4th Avenue North | http://edmondshealthclinic.com/ |
| | Edmonds WA 98020 | |
| Family and Wellness Medicine | 34004 16th Ave S. Ste. 100 | www.fwmwa.com |
| | Federal Way, WA 98003 | |
| Family Care of Kent | 10024 SE 240 th Street | http://familycareofkent.com/ |
| | Kent, WA 98031 | |
| Family Care of Spokane | 9631 N Nevada St, Suite 202 | http://www.doctorcondon.com/ |
| | Spokane, WA 99218 | |
| GoodMed Direct Primary Care | 6553 California Avenue SW, Suite A | http://goodmedclinic.com/ |
| | Seattle WA 98146 | |

| | | |
|-----------------------------------|--|---|
| Guardian Family Care, PLLC | 805 164th Street SE, Suite 100 | http://www.guardianfamilycare.net/ |
| | Mill Creek, WA 98102 | |
| Jared Hendler, M.D. | 231 Madison Avenue South | http://www.hendlermd.com/ |
| | Bainbridge Island, WA 98110 | |
| Heritage Family Medicine | 4001 Harrison Avenue N.W., Suite 101 | http://www.heritagefamilymedicine.com/ |
| | Olympia, WA 98502 | |
| Hudson's Bay Medical Group | 100 East 33rd Street | http://hudsonsbaymed.com/ |
| | Vancouver, WA 98663 | |
| Lacamas Medical Group | 3240 NE 3rd Avenue | http://www.lacamasmedicalgroup.com/ |
| | Camas, WA 98607 | |
| Lissa Lubinski MD | 816 East 8 th Street | http://www.lissalubinskimd.com/ |
| | Port Angeles, WA 98326 | |
| The Manette Clinic | 1100 Wheaton Way Suite F and G | http://themanetteclinic.com/ |
| | Bremerton WA 98310 | |

| | | |
|----------------------------------|--|---|
| MD² Bellevue | 1135 116th Avenue NE., Suite 610 | http://www.md2.com/ |
| | Bellevue, WA 98004 | |
| MD² Seattle | 1101 Madison Street, Suite 1501 | http://www.md2.com/ |
| | Seattle, WA 98104 | |
| Office of Michael Jackson | 5350 Orchard Street West, Suite 202 | No website |
| | University Place, WA 98467 | |
| Oodle Familt Medicine | 401 Olympia Ave. NE, #305, Box #48 | http://oodlemd.com |
| | Renton, WA 98056 | |
| Paladina Health | 1250 Pacific Avenue, Suite 110 | http://www.paladinahealth.com/individuals/ |
| | Tacoma, WA 98402 | |
| Patient Direct Care | 209 East Main Street, Suite 121 | http://www.ptdirectcare.com/ |
| | Battle Ground, WA 98604 | |
| PeaceHealth Medical Group | 16811 SE McGillivray Boulevard | https://www.peacehealth.org/ |
| | Vancouver, WA 98638 | |
| Pier View Chiropractic | 19987 1 st Avenue South, Suite 102 | https://www.pierviewchiropractic.com/ |

| | | |
|---|--|---|
| | Normandy Park, WA 98148 | |
| RediMedi Clinic | 230 Grant Road, Suite B-2 | http://www.theredimedclinic.com/ |
| | East Wenatchee, WA 98802 | |
| Ridgefield Family Medicine | 8507 South 5 th Street | http://ridgefieldfamilymedicine.com/ |
| | Ridgefield, WA 98642 | |
| Seattle Medical Associates | 1124 Columbia Street, Suite 620 | http://www.seamedassoc.com/ |
| | Seattle, WA 98104 | |
| Seattle Premier Health | 1600 East Jefferson Street, Suite 115 | http://www.seattlepremierhealth.com/ |
| | Seattle, WA 98122 | |
| Sound Clinical Medicine | 6718 144 th Street NW | https://www.soundclinicalmedicine.com/ |
| | Gig Harbor, WA 98332 | |
| Sound Medicine and Wellness | 3216 NE 45th Place | http://soundmedicineandwellness.com |
| | Seattle, WA 98105 | |
| Swedish Ballard Family Medicine Clinic | 1801 NW Market Street, Suite 403 | http://www.swedish.org |
| | Seattle, WA 98107 | |
| Total Care Clinics | 1029 North Kellogg Street | https://www.totalcaretricity.com/ |

| | | |
|---------------------------------------|---|---|
| | Kennewick, WA 99336 | |
| TransformMD Primary Care | 17901 Bothell- Everett Highway Ste. F-105 | www.transformdpc.com |
| | Bothell, WA 98012 | |
| True North Health Services | 5901 North Lidgerwood Street, Suite 21B | http://tnhs1.com |
| | Spokane, WA 99208 | |
| Urgent Medical Center | 9430 NE Vancouver Mall Drive | No website |
| | Vancouver, WA 98662 | |
| Vantage Physicians | 3703 Ensign Road NE, Suite 10A | http://vantagephysicians.net/ |
| | Olympia, WA 98506 | |
| Vintage Direct Primary Care | 19319 7 th Avenue NE, Suite 114 | http://vintagedpc.com/ |
| | Poulsbo, WA 98370 | |
| Washington Park Direct Care | 208 Centralia College Boulevard | http://washingtonpark.md/ |
| | Centralia, WA 98531 | |
| Wise Patient Internal Medicine | 613 19th Avenue East, Suite 201 | http://imwisepatient.com/ |
| | Seattle, WA 98112 | |

Appendix C: Voluntary information statistics

| Entity | Do any providers in your practice participate as a network provider in a health carrier's network? | What percentage of your business is direct practice? | Has the Practice discontinued any patients? | Has the practice declined to accept any patients? | When patients sign the direct practice agreement, do you collect information about their other health coverage? | Number of patients who have Medicaid | Number of Patients who have Medicare | Number of patients who have private health insurance | Number of patients who are uninsured/no coverage |
|--|--|--|---|---|---|--------------------------------------|--------------------------------------|--|--|
| Affordable Access | No response | | | | | | | | |
| Anchor Medical Clinic | No | 100% | Yes | Yes | Yes | 2 | 47 | 1 | 0 |
| Assurance Counseling and Healthcare LLC | No | 100% | Yes | No | No | No Further Response | | | |
| Bellevue Medical Partners | No response | | | | | | | | |
| BlissMD | No | 100% | Yes | Yes | Yes | 1 | 202 | 147 | 0 |
| CARE Medical Associates | No | 80% | Yes | No | Yes | <1% | 25% | 69% | 5% |

| | | | | | | | | | |
|-------------------------------------|-------------|-------|-----|-----|-------------|---------------------|-----|-----|------------------|
| The Charis Clinic | No response | | | | | | | | |
| Coho Medical | Yes | 25% | Yes | No | Yes | 8 | 4 | 88 | 15 |
| Cosmas Primary Care | Yes | 70% | Yes | No | Yes | 38 | 27 | 3 | 0 |
| DGB, PLLC | No | 100% | No | Yes | Yes | 1 | 0 | 50% | 40% |
| Edmonds Health Clinic | Yes | 4.3% | No | No | No Response | N/A | N/A | 9 | 30 |
| Family and Wellness Medicine | Yes | 16% | No | No | No | No Further Response | | | |
| Family Care of Kent | No response | | | | | | | | |
| Family Care Spokane | Yes | 2.50% | Yes | No | No | No Further Response | | | |
| GoodMed Direct Primary Care | No | 100% | No | No | No | 0 | 0 | 0 | 0 |
| Guardian Family Care | No | 100% | Yes | Yes | Yes | 25% | 25% | 50% | Approximately 25 |
| Heritage Family Medicine | Yes | <1% | No | No | No | No Further Response | | | |
| Hudsons Bay Medical Group | No Response | | | | | | | | |
| Jared Hendler, M.D. | No | 100% | No | No | Yes | 0 | 35 | 45 | 9 |

| | | | | | | | | | |
|--------------------------------------|-------------|------|-----|-----|-----|---------------------|-----|-----|-----|
| Lacamas Medical | Yes | <5% | No | No | Yes | 0 | 0 | N/A | N/A |
| Lissa Lubinski MD | No response | | | | | | | | |
| Manette Clinic | Yes | 68% | No | No | No | No Further Response | | | |
| MD² Bellevue | N/A | 100% | No | Yes | N/A | No Further Response | | | |
| MD² Seattle | N/A | 100% | No | Yes | N/A | No Further Response | | | |
| North End Tacoma Health, PLLC | No | 100% | No | No | Yes | 0 | 2 | 22 | 15 |
| Oodle Family Medicine | No | 100% | Yes | No | No | N/A | N/A | N/A | N/A |
| Optimal Health Centers | No response | | | | | | | | |
| Paladina Health | No response | | | | | | | | |
| Patient Direct Care | No | 100% | Yes | Yes | No | N/A | N/A | N/A | N/A |

| | | | | | | | | | |
|---|-------------|------|-----|-----|-----|---------------------|------|------|-----|
| PeaceHealth Medical Group | Yes | N/A | Yes | No | Yes | 0 | 0 | 0 | 27 |
| Pier View Chiropractic | No response | | | | | | | | |
| RediMedi Clinic | No | 90% | Yes | No | No | N/A | N/A | N/A | N/A |
| Ridgefield Family Medicine | No response | | | | | | | | |
| Seattle Medical Associates | No | 100% | Yes | Yes | Yes | 0 | 1484 | 1611 | 0 |
| Seattle Premier Health | Yes | 100% | No | No | Yes | 0 | 189 | 369 | 4 |
| Snoqualmie Valley Hospital | Yes | 2% | Yes | No | Yes | 0 | 0 | 5 | 128 |
| Sound Clinical Medicine | Yes | <1% | No | No | Yes | 0 | 0 | 7 | N/A |
| Sound Medicine and Wellness | No | 100% | No | No | Yes | 2 | 27 | 45 | 1 |
| Swedish Ballard Family Medicine Clinic | Yes | 1% | No | No | No | No Further Response | | | |
| Thrive Direct Health Care | No | 50% | Yes | Yes | No | 0 | 40% | 50% | 10% |

| | | | | | | | | | |
|---|---------------|------|-----|-----|-----|---------------------|-----|-----|-----|
| Total Care Clinics | Yes | <3% | No | No | Yes | 0 | 0 | N/A | 0 |
| TransforMD Primary Care | No | 100% | No | No | Yes | 0 | 0 | 1 | 17 |
| True North Health Services | Office Closed | | | | | | | | |
| Urgent Medical Center | Yes | <1% | No | No | Yes | 0 | 0 | N/A | 0 |
| Vantage Physicians | No | 100% | Yes | No | Yes | 68 | 234 | 426 | 100 |
| Vintage Direct Primary Care PLLC | No | 100% | Yes | No | Yes | 74 | 204 | 319 | 214 |
| Washington Park Direct Care | No | 75% | Yes | Yes | Yes | No Further Response | | | |
| Wise Patient Internal Medicine | Yes | 50% | Yes | Yes | Yes | N/A | N/A | 95% | 5% |