An Argument for Making the Transition to a Direct-Pay Model

It's time to free yourself from insurance company dependency.

BY ROBERT KORNFELD, DPM

Medicine in the U.S. is in deep trouble. In the nearly 42 years I have been in my own private practice, there have been a lot of changes that have taken place.

For those of you too young to have experienced this, there was no such thing as managed care in 1982. All insurance was indemnity. You either accepted assignment (the insurance company sent you 80% of the bill and the patient paid 20%) or you had your patient pay up front and they were reimbursed by their insurance company.

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There were no fee schedules, no ICD-0 codes, no CPT, HCPCS, or any other codes. When we sent a bill to the insurance company, we wrote out our service in longhand in the box provided. And we were paid VERY WELL for what we were doing.

In those days, it was not uncommon to get a reimbursement check for one surgical event for over $10,000 from a commercial payer. We made amazing livings, seeing about 20-25 patients daily and the stress levels were not so high. We had ample time to see our patients and evaluate and treat the presenting pathology. Within three years of practice, my income was skyrocketing.

All was going well until insurance companies decided there was a better way for them to capture more of the premium dollars for themselves. In came "managed care". This system was designed to get you to sign on as a "participating doctor" and be paid pre-determined fees according to a fee schedule. The advantage was that you no longer had to be bothered with marketing your practice.

Your name and practice information were included in their book of participating providers, and patients would just come to you. They sent fee schedules for you to see what you would be signing up for and honestly, although fees were less than we were being paid, it seemed to make sense to do this or risk losing patients to other practices where patients didn't have to pay anything out of pocket. In those days, there was no in-network deductible. The co-pays ranged from $2-$5 a visit. So we all signed up.

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The Practice Management Forum

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What we didn't realize is that shortly after we began to participate, these companies would begin to lower their fees (the right to do this was contained in the microscopic writing in the contract. And they could do this without prior notice). They wisely lowered them very slowly over time. So slowly it was like we were dogs on a chain. They removed one link at a time and we didn't realize we were on our way to being choked.

Then came diagnostic and procedure codes. If you coded "wrong", your claims would be denied. So we needed coders. Many hired billing services to carry out the task of sending "clean claims" to insurance companies to facilitate payment. This cost us a percentage of our collected income.

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PCP Requirement

Then came a new requirement. Every patient was assigned a PCP. Without a written referral from the primary doc, patients were not covered for visits to specialists. This added administrative hassles for our staffs.

Then they added prior authorization requirements. First for imaging. Then for surgeries. More administrative hassles. With the ever-increasing administrative burdens, we needed more staff. With the ever-decreasing reimbursements, we needed more patients (add in marketing fees). With more staff and more patients, we needed larger offices. Our expenses began to grow exponentially.

Then they instituted chart reviews…a great way for them to capture refunds from treatments that were either up-coded, fraudulently coded, or what they deemed to be "not medically necessary" services. In reality, it was mostly arbitrary and, in my opinion, corrupt.

"Let's Make a Deal"

Then, they began to play "let's make a deal". The logic was, let's say they should be paying you $500. But that could take months to adjudicate. But if you accepted $120 today, they would send you a check immediately. For some reason, "let's make a deal" worked well and is still in practice today.

Then came EHR. If you didn't feel hassled before, this really put the icing on the cake. With the ever-increasing need for a high volume of patients, charting became another full-time responsibility. But how do you spend time charting if you are seeing 40, 50, or even more patients daily? Now, your personal time away from the office was no longer your own. You had to take time away from family, friends, and fun to chart your encounters. Even at night, in bed (hello pajama charting), you must sit with your computer and do charting, or risk falling far behind with no clear memory of the encounter.

With insurance company interference, the way doctors practiced had to change. Less time per patient meant quick-fix decisions. Running from room to room does not bode well for thorough doctoring. We began to look for ways to maximize income—push surgery, minimize routine foot care, do x-rays whenever you could rationalize it, inject, inject, inject, buy a sonogram, buy a fluoroscope, set up an office surgical suite (this was prior to JCAH requirements for approving a surgical suite) to minimize time away from the office and be more productive. You had to look for non-covered services like laser therapy for fungal nails and shockwave therapy.

It became a game of trying to keep up with the changes and less a commitment to quality patient care. And it still is…only worse. Burnout has not only become a buzz word, but it is also a very real problem, affecting thousands of doctors of all specialties, podiatry included.

The stress of running an insurance-dependent practice has become intolerable for most and has diminished the possibility of professional satisfaction more and more every year. New graduates face the burden of enormous debt from school loans, established doctors face the burden of enormously high expenses. If you want to buy a practice but cannot get on the same plans as the seller, you can't afford to buy the practice. Employment has become the desired route as opposed to opening up practices "cold" like when I was a recent graduate.

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The burdens of running an insurance-dependent practice have become so insurmountable that many podiatrists have sold out to private equity and are functioning as employed podiatrists. This evolution has eliminated autonomy from the practice of podiatry. You must "produce", you must cooperate, do everything their way and make sure all of your metrics will keep your employers happy. Otherwise, you're out!

There are many problems with being a doctor and working for someone else. They're just different than the problems of running your own insurance-dependent practice. Many doctors then decided that since expenses are so high, forming groups made more sense. Sharing expenses in the same office and then expanding out into other locations as their patient base grew and then eventually hiring young docs, at low pay, to run things for them seemed like a good model. Groups became popular and business improved. But the stresses did not. In fact, running a large business with multiple doctors and locations creates a whole new set of financial burdens and dramatically increases challenges with insurance compa-

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nies, staffing, and oversight.

You will all admit that through the years, you have attended seminars and conferences where everyone commiserates on how horrible practicing has become, how stressed they are, what they have done to improve income, how much they hate insurance companies, the difficulties of staffing and charting, and never knowing when or if you will be paid, and how much insurance will pay you. Countless conversations include quitting podiatry and doing something else.

What has happened over time is that doctors feel completely disempowered. They have lost their self-esteem, their self-value and many are suffering from anxiety, depression, unhappiness, lack of professional satisfaction, and low incomes, and it is not uncommon to hear people saying they wished they never went into podiatry in the first place.

Other than continuing to trudge through your career as an insurance-dependent or an employed podiatrist, what other options are there? Some have gone into non-clinical management positions in medicine, some have gone into teaching at one of the podiatry colleges, some have gone to work for insurance companies, some became "expert witnesses" to defend podiatrists or help plaintiffs in their lawsuits against podiatrists, some have partnered with companies that sell products and modalities to podiatrists as spokespersons and sadly, others have quit the profession altogether! Suffice it to say that there is a huge majority of this profession that is not at all happy.

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But there is one other option that is beginning to take hold, albeit with very few podiatrists, that is a real game-changer. And that is moving into direct care. In this model, insurance is not accepted for any services. There are a few ways to do this. You can create a fee-for-service model. Patients come in, they receive a service, and they pay when they leave. Those with out-of-network benefits can have claims filed on their behalf to be reimbursed up to the limits of their plan. The doctor decides all of the fees. There is no insurance interference. You can practice autonomously and provide whatever service you decide is best for the patient.

A Concierge Model

You can create a concierge model. In this model, there are 2 common approaches. The first is a yearly membership fee which provides the patient with unlimited services in your office. For example, patients pay $1,999 a year for any podiatric service they require (far less than their deductibles, co-pays, and non-covered services that are all out of pocket). They would still use their insurance for any hospitalizations, labs, imaging, etc., but your professional component would not be billed out. Practices that do this usually limit their active patient base to around 650 patients. There are other practices that charge a lower membership fee (e.g., $299 yearly) and then provide discounted fees to those patients who join the practice. The patient still pays you directly but again, if they have out-of-network coverage, you would send in a claim on their behalf or hand them a super bill and let them submit it themselves.

Both models have proven themselves to work. The only obvious issue is getting patients in the door to pay. That is dependent on a few factors. The first is how you brand and market the practice—and there is a lot of help out there to help you accomplish this. As more and more burned-out docs have moved away from insurance-dependency and into direct-pay, marketing companies began to take on the challenge of helping to grow this kind of practice. There are many different ways to successfully market a direct-pay practice. The second issue is, and this is critical: what is your compelling reason offered to get patients in the door? You cannot easily go to a direct-pay model and do exactly what all the insurance-dependent podiatrists in your area are doing. If that is the case, they will go where they don't have to pay.

There is a huge population of patients out there that are more than happy to pay for services unobtainable in an insurance-dependent practice.

But realize this. Patients are just as fed up with the system as you are. They don't like waiting 4-6 weeks to get an appointment. They don't like sitting in the waiting room for 2 hours just to receive 7 minutes of your time. Many do not feel well cared for. They are furious when asked to pay for something that their insurance denied. And this is happening more often than ever. And most important, because of the high volume needed to remain solvent, your outcomes will suffer, even though you are well-trained and are a great doctor. There is a growing population of patients suffering from chronic foot and ankle pain and they are not getting the care they need because it would require a long visit with them to figure out why they are not responding to anything you do. There simply isn't enough time.

So many podiatrists say that they can't stand practicing anymore but won't consider a direct-pay model because they believe their patients would never pay them. And to be honest, they are right. Just as you have been conditioned to think you cannot survive without accepting insurance, patients have been conditioned to believe that they can't afford to pay out-of-pocket for your services and (this is all conditioning)that your services are

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only worth a co-pay. They don't truly value what you do as much as they value going out to a nice restaurant and spending $200 on drinks, appetizers, and entrees.

However, there is a huge population of patients out there who are more than happy to pay for services are worth paying for. But most will go elsewhere. Once you learn the nuances of marketing you can create a very successful practice.

The Advantages of Direct-Pay

Here are the advantages of direct-pay:

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unobtainable in an insurance-dependent practice. And the number is growing rapidly. With a niche practice, you stand out as unique and will offer services that they cannot get anywhere unless they come to you.

Of course, you would first market to all of your current patients because many will definitely stay with you since they trust you and feel you

1) You can earn a great living, likely better than previously, on only 8-10 patients daily.

2) Your expenses will drop dramatically as you no longer need huge offices, a large staff (high payroll), loads of supplies, multi-line phone systems, expensive office liability insurance, etc.

3) Your stress levels drop astronomically since you no longer have the stress of getting paid in a timely way (accounts receivable will be $0 at all times). You are paid according to what you decide is a fair fee. No more claim delays, claim denials, chart requests, audits, no more high volumes of patients daily (less charting), no more staff issues, etc. All of that melts away.

4) You are in control of everything. You are free, autonomous, and unencumbered by third party interference or the threat of being fired.

5) You have time to do other things, follow other passions. You can spend more time with family and friends, take courses in things that interest you, set up other businesses, write a book, whatever you like because your time will be your own.

6) A direct-pay practice does not require a 40-60 hour work week. You can make a really great living on

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20-30 hours weekly. Now you will be working smart, not hard.

7) You will become much happier, more satisfied professionally and that will carry over into your personal life as well.

8) This is a big one—your doctor-patient relationships will grow more potent. You will now have the time to work in an unrushed way. You will spend more time with each patient. You will have more relaxed conversations with them. You have time to educate them and spend time presenting options and reviewing lab work, imaging studies, etc. Patients love when a doctor is accessible and spends time with them.

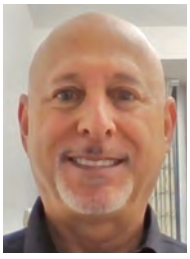
9) You will become a better listener, which the luxury of time affords to you. That will improve your diagnostic capabilities.

10) You will feel sorry for all of your friends who are still accepting insurance or are dealing with employment issues.

There is more burnout among doctors now than ever. They are miserable, stressed, over-worked, and underpaid. We are losing doctors of all specialties in large numbers who are quitting. There is also now a physician suicide problem in this country. Is this what we get after all the years of education and training? Is this all we deserve?

A direct-pay model not only works, but you can thrive in ways that are impossible in the insurance-dependent model. You can create days that are relaxed, enjoyable, satisfying, and very profitable.

You no longer are a victim. You are not participating with insurance. You are cooperating with insurance. Remember that! And they are destroying your hopes, your dreams, your expectations, and your day-to-day professional experience and satisfaction. It's a choice to stay victimized by the system. Remember, you are an adult! You possess the power of choice. And there are ways to transition to a direct-pay practice that will eventually deliver you to a far better experience. Each day you don't is a day you will never get back. It's time to choose a way that is better for your health and happiness. To do this, you have to leave your fear at the door, become your own best advocate, and stop listening to the naysayers. **PM**



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