

Testimony for Public Hearing Pennsylvania Senate Banking and Insurance Committee

SB 926

Direct Primary Care Medical Service Agreement Act

My name is Katherine Restrepo and I am the Director of Health Care Policy at the John Locke Foundation, a public policy think tank located in Raleigh, N.C. As a native of Wyomissing, Pennsylvania, I am pleased to provide the Pennsylvania legislature with information on how North Carolina employers and their employees are benefiting from the Direct Primary Care model.

Direct Primary Care – What is it?

Direct primary care (DPC) is a simplified health care business model that removes insurance companies from basic primary care. In exchange for a monthly, out-of-pocket fee, patients have unrestricted access to their physician and unlimited access to a defined package of services. In most cases, primary care physicians are available around the clock, in person, by phone, through text, and even via Skype. There is no limit to how often patients can access their doctors or how many services (from within the defined package) can be used. Much like a gym membership, which allows a person unrestricted access to whatever equipment and classes they wish as often as they wish, DPC grants access to whatever primary care the patient needs. And all of this is done for an average monthly fee of around \$75.

Direct Primary Care Case Study in Union County

Local governments nationwide are wrestling with the question of how to provide quality health care to their employees in a cost-effective manner. This is particularly important for local governments because those plans are paid for by taxpayers.

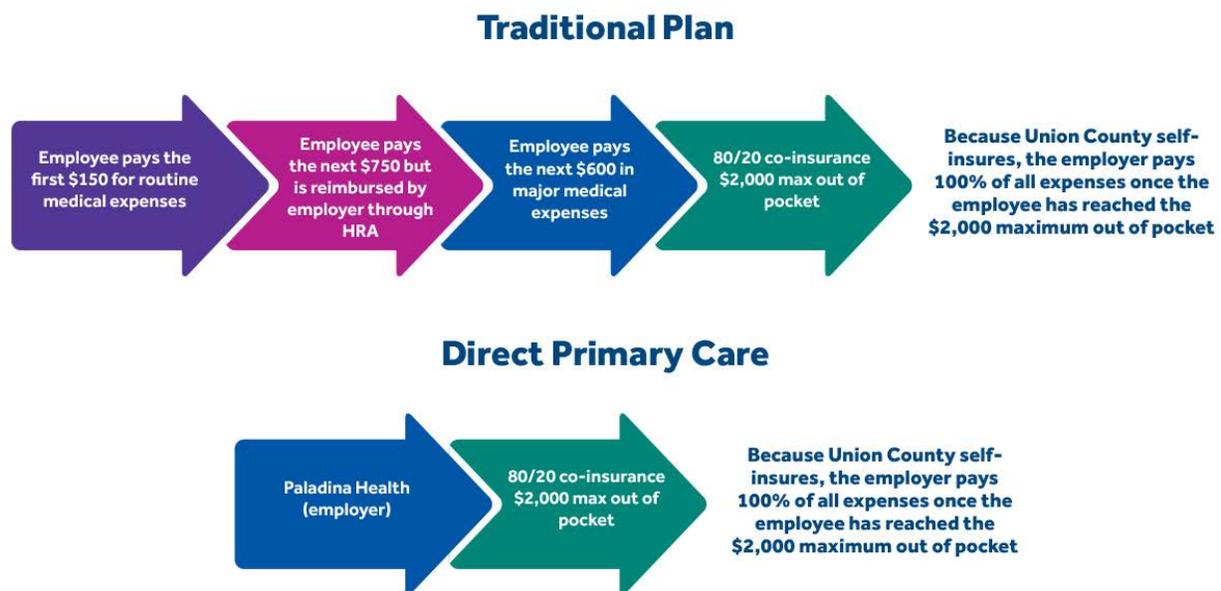
Union County, located outside of Charlotte, North Carolina, has piloted an innovative program. In 2015, Union County expanded its health benefits by allowing its employees to choose to access primary care services from a DPC physician at a clinic set up near local government offices. It is the first county in the state to offer such a plan, and its experience offers valuable lessons to other counties. In just one year, Union County saved over \$1.2 million on employee health claims because of DPC.

Patients

Perhaps the most obvious difference that patients have experienced is increased access to physicians. Same-day appointments are available, and doctors are available around the clock by phone. Those appointments are longer, allowing patients and doctors to discuss health concerns in more detail. While traditional fee-for-service appointments last seven to 10 minutes, DPC appointments average 30 to 45 minutes.

The clinic is located near government offices, making appointments convenient. And a variety of services are available on site, including chronic disease management, fitness and nutritional coaching, vision and hearing screening, well-child visits, basic splinting and wound care, stitches, skin cyst removal, basic labs, and a variety of immunizations.

On average, DPC doctors provide 85 to 90 percent of patients' health care needs. Patients are also not subject to co-pays. The membership provided by Union County covers all these services without further fees. Under Union County's traditional insurance plan, employees are responsible for \$750 in out-of-pocket expenses for routine medical services, but that money now remains in the pockets of employees who opt for DPC.



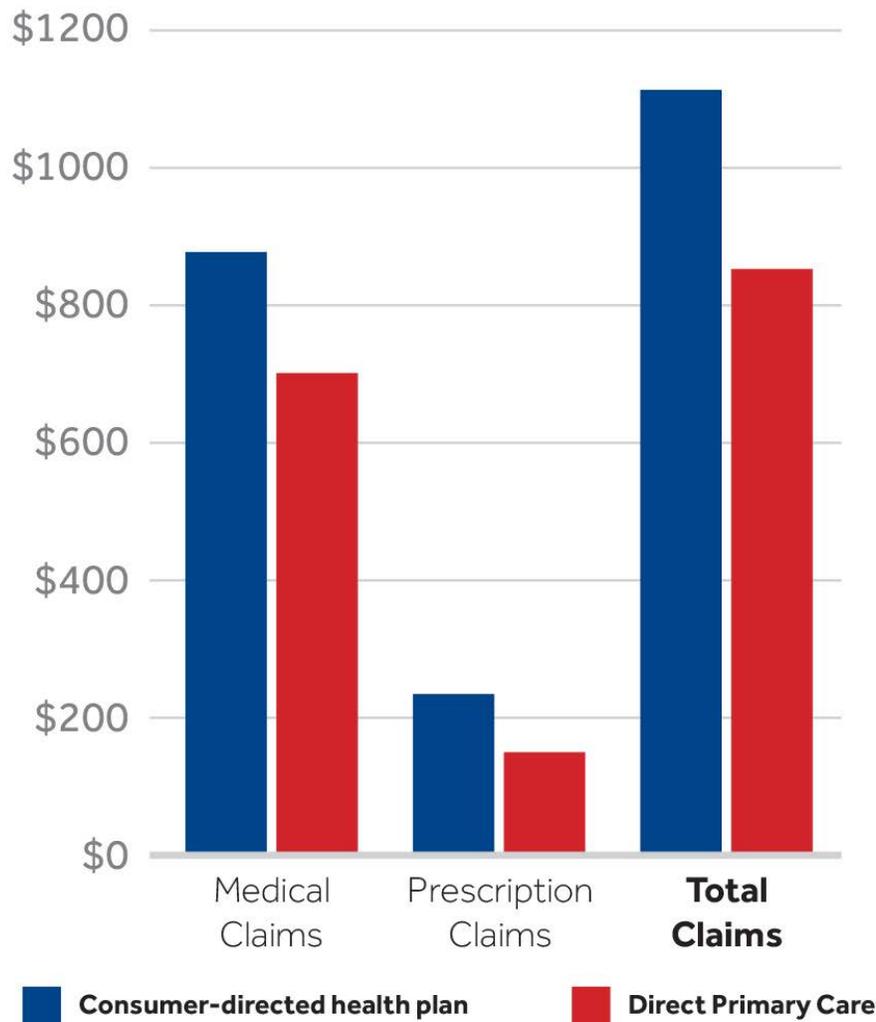
For patients, this combination of easy access and no co-pays removes most barriers to seeing a doctor. This has been most significant for patients with chronic illnesses. According to data from Union County,

- 59 percent of DPC members have at least one chronic illness, while 35 percent are diagnosed with multiple chronic illnesses. The most common diseases are high blood pressure and hyperlipidemia.
- Of the 55 percent of DPC members in Union County who have moderate to severe chronic conditions, over 90 percent are heavily engaged with their health care. Patients with more than three chronic conditions averaged more than five visits in one year, while those with more than one chronic illness averaged over three visits.
- DPC members with more than one chronic condition cost on average 28 percent less than those enrolled in Union County's traditional insurance plan.

Employers

According to 2015-2016 results, DPC saved Union County, and the taxpayers who foot the bill, over \$1.28 million in health care claims. This calculation is based on a comparison of the average-per-employee per month (PEPM) cost of both medical and prescription claims incurred by employees who subscribe only to Union County's consumer-driven health plan versus just 44 percent of employees who use DPC.

Claims expenses per employee per month in Union County, N.C. (2015-2016)



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Could DPC Work Elsewhere?

Union County has about 1,000 employees. Across the state, there are more than 66,000 county government employees. If other counties added a DPC option, had similar employee participation rates, and accrued similar per-employee savings, statewide savings could easily amount to nearly \$75 million within the first year. While each county will face a unique set of circumstances, the potential savings are high enough that local governments should consider whether DPC might be a viable option for their employees.

For county governments that have tight budgets and multiple demands on limited resources, DPC offers a unique opportunity to save millions of dollars while maintaining and even improving the quality of employee health care. These are funds that could be returned to taxpayers in the form of lower property taxes or allocated to other projects that local governments wish to fund.

As health care costs continue to rise faster than the rate of general inflation, county government must necessarily consider new and innovative ideas. The DPC model has the potential to go beyond reforming our local and national health care delivery system and effectively transforming it.

Thank you for your time, and I am willing to answer any questions.

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Resources

<https://www.johnlocke.org/research/direct-primary-care-for-local-governments/>