

SMALL PRACTICE *evolution*

The concierge model

Want to spend more time with your patients?
Consider a retainer practice.

By Robert Lowes
SENIOR EDITOR

Lew up a successful practice," says Pittsburgh pediatrician Scott Serbin.

Serbin once had 3,000 patients, an outward sign of success. Yet like other doctors seeing more and more patients in response to rising overhead and stingy health plan fees, Serbin was dissatisfied.

"It was chaotic," says Serbin. "At day's end, I told myself that I did the best I could under the circumstances, but I knew I could have done better if I had more time. I wanted to say, 'I did a good job,' period."

Serbin has scaled down—and slowed down—since he converted his practice to the concierge model a little more than three years ago. The parents of some 300 patients pay him an annual retainer fee (the amount varies by the number and age of the children) in exchange for the kind of care unimaginable in a traditional

Photos by Jeff Cornella



Scott Serbin, MD, in his pediatric practice in Pittsburgh.

SMALL PRACTICE *evolution*

practice. Hour-long visits. House calls. Unhurried listening. "We sit and talk," says Serbin. "It's like day and night."

By all accounts, only 500 to 1,000 doctors nationwide operate concierge practices, also known as direct, VIP, boutique, or retainer practices. The last term refers to the annual fee at the heart of concierge medicine, typically for services that go beyond what Medicare or private insurance covers. The small market niche isn't surprising for a model that began by catering to patients who could afford annual fees as high as \$15,000. However, the number of concierge doctors, who are typically soloists, could increase dramatically as retainer fees drop to middle-class levels.

decide if you're a candidate, and tell you what steps to take to make the switch.

What concierge medicine promises

Tom LaGrelus says nine out of 10 concierge doctors operate like he does: Their yearly retainer covers services that Medicare and private insurers generally don't, such as comprehensive annual physicals, guaranteed same-day appointments, 24/7 access by cell phone, home or work-site visits, even accompanying patients to specialists' offices. Such doctors continue to bill third-party payers for the services their policies reimburse. The other 10 percent have totally dropped out of Medicare and private insurance; their annual fees cover everything they do.

Concierge practices generally have 300 to 600 patients per doctor, and it's this small caseload that translates into numerous benefits for all concerned. There's time to talk to a patient about diet. Time to follow up with a phone call the day after a visit. Time to research someone's condition. More than anything, concierge doctors talk about really knowing their patients.

"Rapport is so important for healing," says FP David Katzman, who tends 600 patients in St. Louis. "That's hard to achieve in a traditional practice." Tom LaGrelus, who also has 600 patients, says, "I know their medical histories by heart."

The economic promise of concierge medicine is that you can make more money seeing fewer patients. Multiplying 600 patients by, say, \$1,000 yields annual revenue of \$600,000, handsome for primary care

by anyone's standards. Katzman and LaGrelus say this promise has come true for them, but then, their practices filled up almost immediately. Not so for Scott Serbin, who wants to top out at 400 patients: "The first year was a bloodbath. I expect that in 2008 I'll be back to where I was income-wise before I started concierge medicine," he says.

Would this model work for you?

The need for a panel of long-term patients essentially limits concierge practice to primary care. Nobody's going to keep an orthopedist on retainer year after year, although LaGrelus envisions specialists like cardiologists and



A new practice in Washington state called Qliance charges adults in their 40s only \$768 per year. When coupled with a high-deductible health plan to cover hospitalization, medications, and specialist care, concierge medicine can start to look almost populist.

"We believe direct practices can be medical homes for 80 percent of Americans," says Tom LaGrelus, a solo concierge FP in Torrance, CA. LaGrelus is president of the Society for Innovative Medical Practice Design, an association for concierge doctors.

Unraveling your current practice to become a concierge doctor, however, isn't for the faint of heart. We'll explore the benefits (and drawbacks) of this type of practice, help you

ALL PRACTICE evolution

LaGrelus, though. "We all know we provide better care," he asserts.

Navigate the waters of third-party payers

Concierge doctors may be outside the medical norm, but most are plugged into Medicare, which is about as mainstream as you can get. Generally, they bill Medicare for covered services and are compensated for noncovered ones via their annual fee. The retainer contract must carefully define those noncovered services, however, so you don't get busted for charging patients for things Medicare *does* pay for.

Make concierge medicine work

- ▶ Get expert guidance.
- ▶ Send up a trial balloon with patients.
- ▶ Decide on your retainer fee and what it will cover.
- ▶ Craft a retainer contract that complies with Medicare.
- ▶ Overhaul your office for a concierge operation.
- ▶ Recruit patients from your existing caseload.
- ▶ Help nonparticipants find new doctors.

A case in point: Health and Human Services' Office of Inspector General prosecuted one concierge doctor whose fee included, among other things, "coordination of care with other providers." OIG maintained that some of his concierge services were in fact reimbursable by Medicare. The doctor settled the case for a reported \$53,400.

Accordingly, consult a lawyer to make your retainer contract Medicare-compliant. One issue to address is the one-time "Welcome to Medicare" physical that (unlike others) is reimbursable. A patient may ask, "If Medicare covers this, why am I paying a retainer fee that includes an annual physical?" Chicago healthcare attorney Tom Shapira suggests deducting the reimbursable amount for the Medicare physical from the retainer fee to avoid double-dipping.

Even if you stay in Medicare's good graces, you may encounter flak from private payers for collecting a retainer fee for noncovered services. Some health plans have bumped concierge doctors from their networks, says John Marquis, a healthcare attorney

in Holland, MI. "They see concierge doctors as discriminating against their insureds."

The 10 percent of concierge doctors who practice entirely outside of the third-party payer realm have no such problems. In their model, known as "fee for care," the annual fee covers routine services like office visits as well as the extras promised by other concierge doctors. This approach has sparked its own controversy. At one time, the state insurance commissioner in West Virginia claimed that fee-for-care FP Vic Wood operated illegally as an unregulated insurer, but lawmakers eventually gave him a green light as part of a pilot project (see "Crisis in healthcare: Does Vic Wood have the answer?" Dec. 15, 2006; available at www.memag.com).

Similarly, Washington state lawmakers have exempted fee-for-care doctors from insurance regulations, over the protests of the insurance industry. Outside of those two states, John Marquis says he doesn't know of any significant regulatory challenge to fee-for-care doctors. Still, it's a good idea to ask a healthcare attorney about the legal climate where you live.

While leaving Medicare simplifies concierge practice because it eliminates any worry about inadvertently double-billing, it's not a decision to be made lightly. If you quit Medicare and then conclude that you need those government checks, you must wait two years before you can re-enter. Your best bet, suggests Tom Shapira, is participating in Medicare at the start of your concierge practice and dropping out only if you're convinced enough patients will stick with you.

QUICK STAT

Sweet Charity?

Concierge doctors spend 1.5 hours more each month engaged in charity care than their nonconcierge counterparts, but see a third as many Medicaid patients.

Source: "Physicians in retainer ('Concierge') practice"

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Laying the groundwork for a concierge practice

Get sage advice before you embark on a concierge career. The low-budget route to wisdom is networking with other concierge physicians and perhaps attending a conference of the Society for Innovative Medical Practice Design (www.simpd.com). A concierge consultant offers more systematic schooling, but at a far higher cost. Specialdocs, for example, charges 17 percent of collections for the first 12 months of a start-up and 12 percent for the next seven months in exchange for managing the entire conversion process, including all the legal details.

The costliest source of help comes from franchise-style