

# 2019

U.S. CONCIERGE  
MEDICINE INDUSTRY  
SNAPSHOT:

# OPPORTUNITIES AND CHALLENGES

# What is Concierge Medicine?

Concierge medicine is a medical practice in which patients pay physicians a retainer fee (monthly, quarterly, or annually) in exchange for enhanced access. Examples of such service include same-day appointments and the ability to call physicians on their private phones. Doctors providing this option typically limit the number of patients they see so they can have more time to attend to concierge customers. Customers like it because they receive more personal attention, while physicians enjoy having extra income and less hectic schedules. Other names for this practice include retainer medicine, membership medicine, and cash-only medicine.

There are three main types of payment models for concierge medicine, as shown below:

## Concierge Medicine Models

### Fee for Care (FFC) Model

This is the most basic model. In it, the retainer fee covers routine services provided in the doctor's office (e.g., consultations, annual blood work, and point of care testing). However, additional services (e.g., vaccinations and prescription refills) are paid for separately on a cash basis or the consumer may utilize their insurance. All pay is out-of-pocket, with no insurance involved inside the clinic. Patients can use health savings accounts (HSAs) purchased individually or through their employers to cover the costs of tangible medical services provided inside the office. However, HSA accounts cannot be utilized to pay for membership fees. This model is also known as "Direct Primary Care" (DPC).

### Fee for Extra Care (FFEC) Model

Like the Fee for Care model, this one enables patients to use their retainers for routine services. However, any additional services are paid for with private insurance or Medicare plans. This saves private insurance customers on costs as their premiums are typically lower than the amount, they would spend on extra services out of pocket. It also saves Medicare patients as their government-funded plans typically cover the majority of costs for such add-on items and services. FFEC is the most common type of concierge medicine model; it also known as "Classic Concierge Medicine" or "Fee for Non-Covered Services."

### Hybrid Model

This model represents a combination of the FFC and FFEC models. In it, patients use private insurance or Medicare plans to cover the cost of both routine and additional services. However, they also pay a retainer, which they use to cover the cost of specialized, "value-added" services that are not typically reimbursed through Medicare or private insurance. Examples of these include house calls from doctors and in-depth, customized health and wellness plans.

*"It's nearly impossible to offer quality of care, especially any meaningful preventative care, let alone performing any form of precision medicine, in a volume-driven environment with an ever-growing number of new clients seeking "sick care". That is why more physicians are transitioning into concierge medicine or DPC to improve their quality of life and deliver better patient care."*

*- Dr. James Pinckney II, Diamond Physicians*

## The Concierge Medicine Industry is Growing

A growing trend in health care, concierge medicine helps patients cut through the perilous journey of pre-approvals, insurance company reimbursement requirements and deductible calculations. According to many of the concierge practices that Medology360 helped to establish, a subscription-based concierge medicine/DPC model facilitates building a true physician/patient relationship: The physicians finally have the time to think and plan for the care of each of their patients. They are no longer just a number.



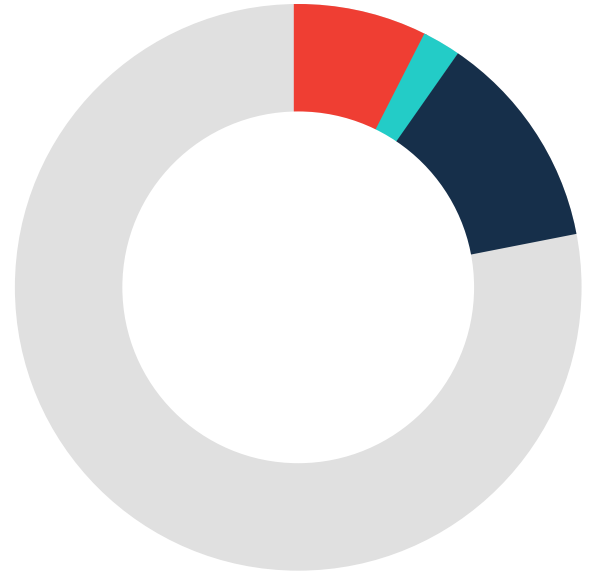
Published research does not provide an estimate of the size of the market for concierge medicine, either in terms of revenues or number of subscribers. This is because there is still disagreement among industry observers on how exactly the term is defined, and there are many practices with similar business models that do not utilize the descriptor "concierge medicine" – making it difficult to obtain accurate market estimates.

Despite this uncertainty, there is a commonly-used metric for measuring growth in the concierge medicine market -- number of doctors participating in the practice. There is no centralized database of physicians that utilize the model, such as a federal registry or national database, that can be used to determine the figure. Instead, industry analysts largely make estimates based on survey results and expert insight. A variety of such sources show that the market is growing at a slow-to-moderate rate nationally. Specifically, they indicate the following:

**Concierge Medicine Today**, a key industry publication, estimates that subscription private medical services are growing at a rate of 3% to 6% per year. This gradual pace will continue for the next several years.

## Plans Among Physicians to Transition to Concierge Medicine

- Plan to transition partly to this model
- Have no plan to transition to this model
- Currently practice concierge medicine
- Plan to transition fully to this model



A 2018 survey by The Physicians Foundation finds that only 6.6% of physicians practice concierge/direct pay medicine. This is the same percentage as in 2016, and down slightly from 7.2% in 2014. That said, 12.3% of respondents say they plan to transition to this model in the future, either fully or partially:

In terms of individual count, **Concierge Medicine Today** estimates that there are at least 6,500 physicians working in concierge medicine in the U.S. However, it states that there may be as many as 12,000 – 20,000. This is because there are likely many doctors providing the option who are “under the radar,” due to the fact that the practice remains a branded business model and not a certified designation. In other words, physicians may not call their offering a “concierge service” even if it is. Regardless, the data shows that only a small fraction of the 923,308 active, licensed physicians today work in this field.

In terms of number of practices, the Journal of the American Board of Family Medicine claims that as of 2016, there were 141 concierge medicine practices with 273 locations in 39 states. Most had four or fewer providers. The journal does not indicate past previous concierge medicine practice growth.

**The concierge medicine market has major opportunities for growth. They include the following:**

**Aging Population** – Baby Boomers are the wealthiest U.S. generation in history, with a combined worth of \$30 trillion. By 2030, more than 20% of U.S. residents will be age 65 and older, compared with 13% in 2010. Thus, there will be more people with significant buying power, representing a huge potential customer base for concierge practices.

**Emerging Technologies** – Medical science is becoming more innovative, with novel activities such as genomic sequencing enabling advanced practices such as precision medicine. With more time on their hands thanks to fewer patients, concierge practices are in a strong position to explore and market these benefits to new customers.



**Despite its growth, the industry does face some challenges. They include the following:**

**Compliance Confusion** – Concierge practices are prevented from charging a Medicare patient for services already provided under Medicare as well as rendering care to Medicaid patients. However, it can be difficult for practices to know which services are covered vs. non-covered, as there are large areas of overlap – making it harder to maintain compliance.

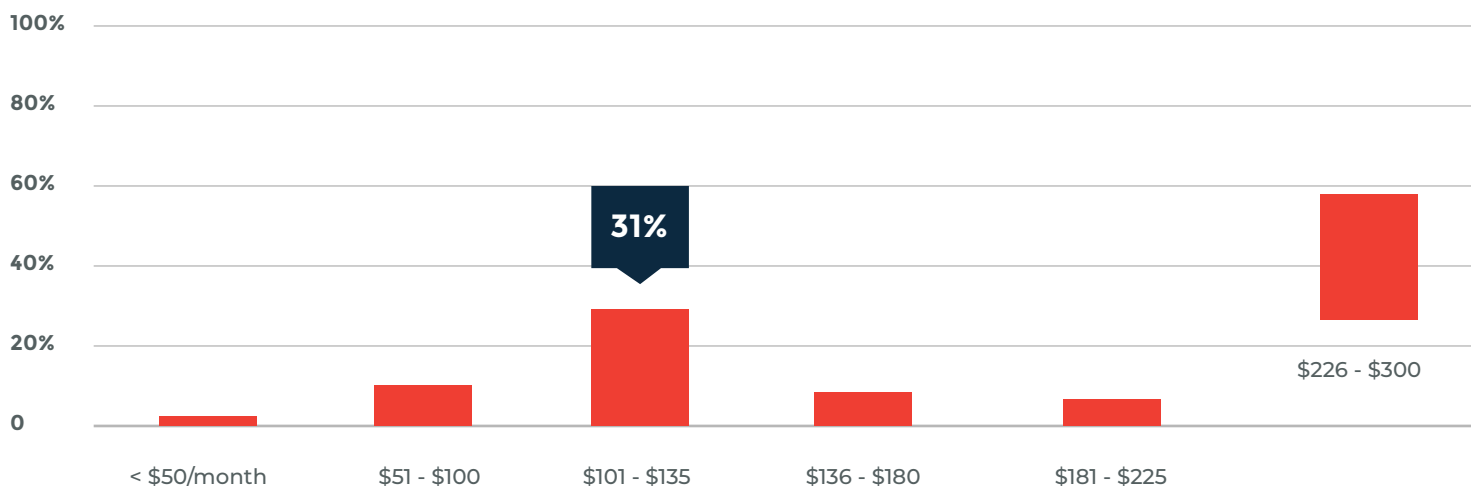
**Negative Reputation** – Because their doctors serve less patients compared to traditional insurance practices, concierge medicine practices take doctors out of the available pool. Critics say that this reality makes it harder than it already is for most consumers (particularly low-income ones) to find a doctor.

# Current Concierge Medicine Industry Trends

**Practice Areas** - Concierge Medicine Today indicates the majority of growth in the concierge medicine industry has occurred in the areas of internal medicine and family medicine. However, participation among specialty physicians is on the rise. Between 2014 and 2016, the pediatric, nephrology, dentistry, and spine surgery specialties all saw increases in the number of physicians operating in concierge medicine.

**Retainer Pricing** – Annual fees for concierge medicine services range from \$1,200 to \$3,000 per year. About 80% of concierge doctors offer these prices. Monthly fees for the services range from less than \$50/month to \$300 per month on average, breaking down as follows:

## Monthly Retainer Fees for Concierge Medicine



**Patient Benefits/Retention** – A study identifies the following benefits of concierge medicine over traditional care:

- ✓ 70% fewer hospitalizations
- ✓ 24% reduction in emergency room visits
- ✓ Better control of chronic conditions
- ✓ Higher discovery of risk for heart disease

Also, concierge programs have a high patient retention rate – an average of 92 – 94%.

The top providers of high-end concierge medicine nationally include: MD2, WorldClinic, PinnacleCare, Cooper Aerobics, Center for Executive Medicine, and Private Medical. MD2 is the oldest known concierge practice, and is thus considered the founder of the service. However, even this top tier has seen new challengers such as **Medical Concierge** and **Private Health Dallas**. (Contact us below for more details around these new entrants for their unique perspectives).

**Conclusion:** *Concierge Medicine is a Promising Market but requires a new model to achieve scale to produce a higher impact for a broader population.*

The U.S. concierge medicine market is growing, however slowly. This is largely because the practice offers benefits for both physicians and patients – both of whom seek more quality time with each other and cut out the “Middlemen” (Insurance). For those who have the financial resources and do not want to “back and forth” healthcare policies to untrack their healthcare plan, more and more of them are considering “supplementing” their basic insurance supported healthcare. The promotion of awareness of importance of preventive care also cemented the continued growth in the adoption of this new healthcare delivery model.

### **The challenges are mainly two folds**

- 1) Cost: The “Comprehensive, attentive” care, especially those high-end concierge medicine practices that include extensive overseas medical network coverage, come with a steep price tag. However, most of the sector is not aware of the wide spectrum of concierge service pricing existing in the market. On the lower end, Direct Primary Care (DPC) can be had for less than \$1,300 even in expensive markets such as San Francisco. (**Contact us** for our list on “2018 Primary Care Disruptors”).
- 2) Inertia to change from the “Insurance should cover it” mentality: As concierge medicine/DPC are not covered in insurance, most of the inquirers who like the benefits usually will walk away when told that that annual fee is not covered by insurance.

Given the above challenges and vast untapped market opportunities, we believe that the concierge practices should band together (Contact us for our list of existing concierge medicine alliance groups) to launch more meaningful public education (both general public and employers) campaigns, legislative lobbying and alliance building with the insurance community to scale this long overdue delivery model for the US Population.



If you would like to receive more of our content in this area, or you have any comments to share (We will include some of the comments in our future follow up content in this series.), please contact us at:

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