

If you're like most companies in the U.S., you are searching for a solution to **curb the staggering increases in the healthcare costs** facing both your company and your employees. With costs continuing to rise, it may seem there is not much hope for savings. However an innovative solution exists. It is called **Direct Primary Care** and it puts you in control of your healthcare through a creative partnership with independent primary care physicians in your community.

Rising Healthcare Costs

Looking at what is driving healthcare costs today, two culprits sit at the very top – the prices of the actual healthcare services we receive as well as the way these prices are determined.

According to a 2014 study by *The Commonwealth Fund*, the healthcare system in the U.S. is the most expensive in the world, and not only is our healthcare expensive, but health outcomes in the U.S. are also markedly behind other countries.¹

Businesses are bearing witness to what this means, with health premiums that have increased 73% since 2004 for employers with at least 200 employees. And not only are companies paying more, but you are also getting less value and even less objectivity.

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It is well known that healthcare in the U.S. is expensive and continuing to rise, but how are these costs actually determined? According to Robert A. Berenson, MD, FACP, Institute Fellow at the Urban Institute, “Prices for commercial and self-funded insurance products result from market negotiations between insurers and providers.” Mr. Berenson continues to state, “The balance of power in these negotiations has sometimes shifted, most recently toward many providers.”

This means that, right now, the prices for specific healthcare services are being determined and set by the leverage and negotiating skills of healthcare providers or hospital groups, not by the quality of care offered, the actual cost of delivering the care, or the complexity of the patient's condition.

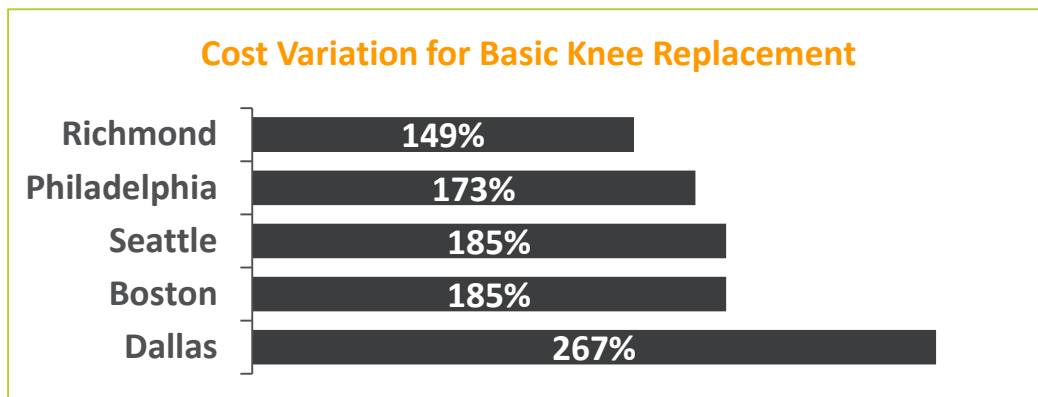
Dramatic Price Variations

This leverage of healthcare providers also leads to dramatic price variations within a given geographic market. The providers your employees and their families choose can have a significant impact on your bottom line. As shown below in **Figure 1**, the costs for a basic knee replacement in the Philadelphia region can vary as much as 173% depending on the hospital or health system that is providing that care.

¹<http://www.commonwealthfund.org/publications/fund-reports/2014/jun/mirror-mirror>

You might think that the cost variation is due to outcomes or higher quality care, when in fact most of the variations are due to the stronger negotiating power enjoyed by particular hospital systems.

Figure 1



Source: *The Health of America Report*

Independent Primary Care: Your Most Powerful Ally

Independent primary care physicians can serve as objective healthcare ‘quarterbacks’ for your employees and their families, helping them navigate the complexities of the healthcare system and directing them to the specialists and hospitals that deliver the best combination of quality care and efficient pricing. The interests of these ‘quarterbacks’ can be aligned with yours – leading to better health outcomes and enhanced value.

So, what is meant by **independent**? An independent primary care practice is not owned by a hospital, health system, or multi-specialty group and can thus maintain stronger objectivity while offering lower costs. **Figure 2** highlights a cost variation of up to 222% for services rendered by a hospital-owned practice versus an independent practice.

Figure 2

Doctor Visit Type	Hospital-Owned Physician Practice	Independent Physician Practice	DIFFERENCE
Level 1	\$65.62	\$20.41	222%
Level 2	\$98.18	\$43.89	124%
Level 3	\$123.35	\$72.47	70%
Level 4	\$173.51	\$106.49	63%
Level 5	\$236.33	\$142.90	65%

Source: *Medicare*

Independent primary care physicians are not only less expensive, they are also able to maintain greater objectivity, referring care to the right specialists based on a patient's need and known pricing instead of an incentive system that rewards hospital-owned primary care physicians for referring patients to specialists within the same health system.

Independent physicians are also best suited to increase healthcare quality and outcomes that have been decreasing for years in the U.S. By replacing the perverse, volume-based fee-for-service system with simple, predictable compensation, primary care physicians can be rewarded for keeping patients healthy and reducing the total costs of care for employees and their families. They can identify problems earlier, apply greater preventive health measures, reduce redundant care, and shift necessary care away from expensive hospitals and specialists.

Contracting directly with independent primary care physicians can be your company's most effective tool for reining in soaring healthcare costs, while also providing the most convenient and effective care for your employees.

Creating a Direct Primary Care Solution

Direct Primary Care is a successful nationwide healthcare movement that combines the traditional core values of convenient, personal primary care, with innovative data analytics, care management and a financial structure that holds independent primary care physicians accountable for the quality and cost of the care your plan members receive.

Through the Direct Primary Care model, independent physicians deliver comprehensive primary, preventive, urgent and chronic care, as well as coordination among specialists. The model emphasizes a strong doctor-patient relationship through convenient, accessible, and affordable care – recognizing this relationship is the key to improving health, maintaining objectivity, and reducing costs.

There are four specific elements that are integral to establishing a successful direct contracting solution using Direct Primary Care.

1. Creating a contract and financial terms that align the doctors' financial interests with your company's and holding physicians accountable for the overall quality and cost of the care your employees and their families receive.
2. Superior access that enables plan members to develop a meaningful relationship with their personal physician and ensures they can see and speak to them conveniently.
3. Robust data analytics and reporting to identify higher risk patients who require proactive care management as well as report on the overall costs and quality of care.
4. Care coordination and referral management that ensures necessary care is directed to the specialists and hospitals that deliver the best value in terms of quality and cost.

Integration within Your Existing Health Plan

It is simple for your company to offer Direct Primary Care as an option within your existing health plan. Employees who choose to participate in the Direct Primary Care program will gain superior access to high-performing, convenient and affordable primary care. They will have a personal primary care physician who is accessible and empowered with the tools to help them efficiently navigate the health care system.

With the goal of removing all obstacles or potential barriers to exceptional, independent care, there are no co-pays, coinsurance, or deductibles for patients when utilizing the Direct Primary Care program. And should specialists or anything outside of the primary care services be necessary, your existing PPO network remains available to cover these services. Employees are typically encouraged to choose the Direct Primary Care program via a reduction in the required employee contribution to the health plan.

For those employees who choose to join the Direct Primary Care program, you simply shift your primary care costs to the participating physicians. The physicians' financial interests are also aligned with yours by introducing a shared-savings formula that rewards them for helping reduce the cost of your health plan.

Ready to Create More Value for Your Company?

The first step in evaluating whether Direct Primary Care makes sense for your company is a **complimentary** Opportunity Analysis. This Opportunity Analysis evaluates your current health plan utilization patterns and identifies the key opportunities for cost reductions within your plan. This enables you to see the projected ROI from a Direct Primary Care program within your actual population.

With Direct Primary Care, your company can look forward to better health outcomes, and more value, with top independent primary care physicians guiding you down the right path.

Contact R-Health to set up a **complimentary** Opportunity Analysis for your health plan.

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