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How to set up a concierge practice

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By: Wayne J. Guglielmo
Medical Economics

COVER STORY

How to set up a concierge practice

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More and more doctors are looking at this alternative to the managed care rat race. If you're interested, here's what you need to know.

By Wayne J. Guglielmo
Senior Editor

Doc, you realize your office is a lot like Disney World," an unhappy patient quipped to Mark R. Wheeler, an internist in Louisville. "It's a three-hour wait for a 20-second ride."

"That comment spoke volumes about what was going on in my practice," says Wheeler. "I was always behind. My patients weren't happy, and neither were my staff, my family, or me."

Web Poll
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Some believe that concierge practices are unethical. Do you?

Today, Wheeler is a changed man, calling his partner, internist John Varga, and himself "two of the luckiest physicians on the face of this earth."

The turning point came last September when the two physicians officially opened OneMD—a retainer or concierge-style practice that caps the number of patients at 300 per doctor. In return for a $4,000 annual fee ($6,000 per couple), patients get 24/7 access, reduced in-office waiting time, house calls, an enhanced yearly health exam, and other gold-plated services not generally covered by insurers. About 200 patients to date have enrolled—and the practice is "right on the fringe" of profitability.

"We don't claim to be practicing better medicine," says Wheeler, "but the fact that we can spend more time with our patients means they're going to get better care."

Other doctors feel the same way. Indeed, since retainer-style practices came on the scene in the late 1990s, their number has grown steadily. Florida-based MDVIP—a company that assists doctors in transitioning from traditional to retainer-style practices—has expanded its network in three years from a handful of local offices to 24 practices in seven states, with 40 more practices in the works. "We think there are as

many as 2,000 primary care physicians out there who would qualify for this type of arrangement," says former FP Edward E. Goldman, president and co-founder of the company.

Of course, that leaves a lot of physicians who *aren't* cut out for custom medicine: Perhaps their patients can't (or won't) support it; perhaps they agree with critics who think it's elitist; or perhaps the doctors are motivated for the wrong reasons—by anger at the system or the prospect of a quick buck. Indeed, despite the potential for high earnings in a boutique-style practice (one Florida internal medicine practice reports 575 patients have signed on at $1,500 per patient), the start-up years can be tricky.

To help you decide whether a concierge-style practice is right for you—and start your own if you decide the answer is Yes—we talked to doctors around the country who've made the switch to this new practice environment.

The right motivation is key

Step one, nearly everyone agrees, is to examine your motives.

"Be clear *why* you want to do it," says Seattle internist Mitchell A. Karton, who together with partner Garrison Bliss started Seattle Medical Associates, a patient-supported retainer-style practice that accepts no third-party fees, in 1997. (The majority of retainer-style practices still bill third parties for covered services.) If it's because you hate the system and want to somehow strike back, think twice. "We never felt we were reacting adversarially against insurers," says Karton. "In fact, we've remained on as many [fee-for-service, PPO, and POS] panels as we can."

Doctors tempted by the lure of big bucks should also reconsider. For one thing, premium practices take time to develop.

"Typically, there's a period after start-up when income goes way down as patients decide whether to stay," says Allison McCarthy, a senior consultant in the northeast office of Corporate Health Group, a national consulting firm. "It often takes a good two years to bring the patient level up to where it should be." At that point, doctors typically do better financially. But in the interim, they are likely to struggle, especially those with high start-up costs, which could range from $100,000 to many times that amount. For this reason, doctors like Massachusetts internist Richard S. Goldman say money is only part of what motivates them.

Last September, Goldman closed a busy internal medicine practice in Framingham to start AccessMD, a concierge practice in Wellesley, closer to Boston. Goldman knows that, as his patient roster expands beyond the 200 patients who've already signed up under the new arrangement, he's likely to be better compensated than he was before. (He charges $2,000 per patient annually, $3,500 for a husband and wife.) But it's the immediate reward of being able "to spend time again with patients" that sustains him. "I haven't been able to spend 45 minutes to an hour with a patient in the last 10 years," he says. "Now I can—and professionally it is so much more satisfying."

That's a common sentiment among the doctors we talked to. "I don't have to apologize to patients anymore," says Seattle internist John N. Kirkpatrick, who helped start a retainer-style practice as part of Virginia Mason Medical Center, a 400-physician practice.

Pomona, NY, internist Charles F. Glassman, who joined the MDVIP network last November and now along with his partner offers concierge services to 500 patients, explains his professional satisfaction this way: "I recently saw a patient who presented with symptoms consistent with a sinus infection. After I examined her and wrote out the necessary prescriptions, I asked, 'Is there anything else?' That phrase was *never* in my vocabulary before. Truthfully, I didn't want to know. Now I do."

The private vs the franchise route

Follow soul searching with consideration of a more practical question: Should you develop the new practice on your own or go the MDVIP-like route?

The answer, says consultant McCarthy, depends on how "entrepreneurially oriented" a doctor is. Do you like the idea of designing the new practice from the ground up? Or do you want an experienced hand like MDVIP to come in and take charge?

Richard Goldman of AccessMD chose the former option. "I wanted the flexibility of being able to do it my way," he says.

But going it alone meant a hefty up-front investment for new and redesigned office space; an electronic medical record, necessary for enhanced follow-up; outside help to handle tricky legal, practice management, and marketing issues; and other things. A company like MDVIP, or MD^2 in Seattle, would have shouldered most of these start-up costs and responsibilities for Goldman. For its help and initial cash outlay, MDVIP charges its network doctors an ongoing service fee—one-third of the $1,500 annual patient retainer, or $500 per patient. For some doctors, like internist Bernard Kaminetsky in Boca Raton, FL, who's been with MDVIP for nearly two years and whose patient roster has climbed to 575 patients, that $500 seems like a bargain. Gross revenues from retainer fees alone now exceed $850,000. He compliments the company for its help in launching his new practice.

But for other physicians, like Richard Goldman, the fee was one reason he decided *not* to go the franchise route. "It seemed to me, in the long run, I would do better financially on my own," he says.

Base your decision on your access to capital, your willingness to shoulder additional responsibilities, and your need to place your individual stamp on things.

Nine steps to get you started

Doctors who decide to go it alone—often with the help of consultants—should follow these nine steps:

1. Survey your current patients. Is 24/7 Internet access something they'd really like? What about house calls and escorting them to specialist visits?

It's important to find out which services will sell patients on this kind of practice. It's just as important to gauge which services and amenities patients *don't* care about and won't pay extra for: "Just as most doctors aren't in this for the fluff, most patients aren't, either," says Allison McCarthy. "Sure, if they're paying a $5,000 fee they don't want the office to look junky, but a pretty office isn't what's driving them. What's driving them—especially medically complex patients—is having someone who'll really manage their care."

A survey will also help you assess patient loyalty. Do patients have an emotional attachment to you and the practice? Or are they so disgruntled by how they've been treated in the past they're not likely to follow you, whatever new level of service you promise?

2. Develop a "menu" and fees. Louisville's Mark Wheeler and his partner put together a "total package"—smoking cessation, exercise counseling, weight management, and a comprehensive physical with everything from an exercise stress test to a full battery of labs. They continue to see sick patients, of course, but their orientation is toward preventive medicine, something many insurers pay only lip service to. Then, based on their potential patient population, they calculated what they needed to charge per patient to deliver this level of service.

The menu and fee structure you develop will depend on your patients' needs—and their willingness and ability to pay for a premium-level of care.

3. Make a timetable. Transitioning from a traditional to a concierge practice is labor intensive. A timetable, complete with benchmarks, will keep things on track and help you to maintain continuity.

4. Address legal issues. The key is to work with a good health care attorney—someone familiar with the requirements for structuring retainer-style practices. (For more on these issues, see "Avoid these legal pitfalls".)

5 Create marketing materials. In reaching out to new and current patients, experts say, the trick is to promote a new corporate image—one consistent with the enhanced level of services you're offering. That could mean a new letterhead and logo, a new e-mail address, even a new practice name.

6. Explain the practice to insurers. As a rule, health plans don't prohibit participating physicians from opening retainer-style practices, says Susan Pisano, spokesperson for the American Association of Health Plans. Insurers will still cover contractually obligated office- and hospital-based services and procedures. The concierge fee is for the "extras," like monitoring specialist care if a patient lands in the hospital.

Still, insurers are being cautious. "Many want to look at marketing materials to confirm that what plan members are paying for are extra time and attention, not covered medical services," says McCarthy. Be ready to share whatever materials you have—and to make any reasonable changes that are called for.

7. Send a letter to patients. Explaining your move to current patients may be the single hardest step in your transition to a retainer-style practice. That's why a well-crafted introductory letter is critical—especially if you hope to recruit established patients to your new practice. (Physicians in groups with noncompete clauses in their contracts may not have this option. Their former patients could be off limits, whether they're starting a boutique practice or another traditional one.)

Keep the letter brief, and invite patients to call for more information, experts say. Keep the letter positive, as well. "I showed the first drafts to different people, including my wife and friend," says the Bay State's Richard Goldman. "They both said I had to get past my anger—had to stop blaming the system. They were right. The system wasn't the issue. I simply wanted to get back in touch with medicine the way it used to be."

Of course, even the most upbeat, well-crafted letters won't win over all hearts and minds. Some patients will follow you, others will wish they could, and still others will be angry and let you know about it. Fortunately, most doctors who've made the transition report that outraged patients were in the very small minority.

8. Schedule follow-up meetings. Following the introductory letter, some practices hold one-on-one meetings with patients; others host meet-the-doctor nights. Whatever format you choose, follow-up meetings give you and your staff the chance to talk in greater detail about the transition—and the new premium level of service you're offering.

9. Hire a consultant. Your staff may already be customer-oriented—in which case you're ahead of the game. But too often customer service in medicine "is on par with the motor vehicle department," says Pomona's Charles Glassman. If that's the case in your office, you may need to hire someone who can help staff members transition to a customer-service-oriented practice. "Most staff members can make the change, and welcome it," says McCarthy.

You may also have to re-gear your office systems. At the least, say experts, you need software that will enable you to track the status of your former patients—who's switched to another doctor? who's staying with you?—and to manage the care of your new ones. The second goal is the essence of a retainer-style practice, calling for enhanced level of monitoring and follow-up. "The typical paper chart won't help doctors do that," says McCarthy. "But if they're not ready to go to a full EMR, then I help them identify an intermediate software solution."

Is the growing popularity of concierge medicine about to burst forth into a full-blown trend? Not likely, say observers. It will remain a niche style of practice, right for some doctors and patients and all wrong for others.

And what about the criticism that concierge medicine is elitist? Doctors we spoke to say that some of their patients are wealthy, but most aren't. They're either people with complex medical needs willing to reallocate resources slated for less urgent purposes, or healthy people for whom wellness and prevention are top priorities worth paying for.

Says internist Richard Goldman, who has begun helping other physicians who want to

start a concierge practice: "It would be nice to provide this level of care to everyone, but, until the system changes, I think this style of practice is a very viable option for both patients and doctors."

Avoid these legal pitfalls

You don't necessarily sever your ties with third-party payers when you switch to concierge medicine. But handled improperly, those continuing relationships can land you in a mess of legal trouble.

The key to avoiding the ban on balance billing and other pitfalls is "to draw a very bright line between the *non*covered concierge services for which you're collecting a fee, and covered services for which you're billing payers," says Michael L. Blau, head of the Health Law Department at McDermott, Will & Emery, in Boston. That's not always easy to do since what insurers will and won't pay for is constantly shifting. But Blau says he's worked effectively with his clients to "wall off" noncovered from covered services.

Concierge practices that continue to bill insurers should also consider setting up "a wholly separate business corporation" alongside their professional corporation, Blau says. The business corporation, which is "not authorized to engage in the practice of medicine," collects the noncovered fees; the professional corporation, which is authorized to practice medicine, "accepts payment in full for covered services from third-party payers, subject to coinsurance, deductibles, and copays."

A "complex financial relationship between the two entities" permits the revenue from one to be shared by the other. (Doctors who go the franchise route circumvent this legal thicket, since the franchise company itself serves as the separate business corporation.)

Doctors must also be careful when terminating relationships with existing patients, especially those with "a continuing, intensive course of treatment," says Blau. He advises meeting with such patients to discuss their options *before* sending an announcement letter. "If doctors do this, there shouldn't be any continuity of care or patient abandonment issues," he says.

The AMA's boutique care guidelines

In June, the AMA issued ethical standards to guide doctors interested in starting a retainer-style practice. Among those standards are:

- Both parties must agree to—and be clear about—the terms of the relationship. Patients who wish to opt out should be able to do so without undue hassles or financial penalties.

- Retainer-style practices shouldn't be marketed as providing *better* diagnostic and therapeutic services.

- Doctors must help transfer—at no charge—nonparticipating patients to others. If no others are available, a doctor "may be ethically obligated to continue caring for such patients."

- Doctors must be honest in billing third-party payers.

- Starting a retainer-style practice doesn't exempt physicians from caring for those in need, especially those in need of urgent care.

For a copy of the AMA's guidelines for concierge practices, contact the Council on Ethical and Judicial Affairs, American Medical Assn., 515 N. State Street, Chicago, IL 60610; Tel: 312-464-4823; Fax: 312-464-4799; E-mail: ceja@ama-assn.org

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