How employers can benefit from direct primary care

Few companies are able to use their health benefit packages to entice prospective employees. Learn how direct primary care can make a difference.

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October 12, 2018 at 10:47 AM

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As **Dave Chase** writes in “The CEO’s Guide to Restoring the American Dream,” ”Step one [in fixing the health care system] is to accept that you run a health care business. It’s likely your second largest operating expense after payroll. Just ask your CFO. You’d probably prefer not to run this business, but it’s there, whether you like it or not.”

Yet even if they acknowledge this truth, most CEOs, CFOs and COOs are too consumed with running their businesses to take step two; that is, to spend the time and emotional energy required to learn about the specific ways in which **health care in America is broken**. As a result, their health care strategy remains the same year after year. They continue to **accept the increase** (typically around 9 percent) in insurance premiums that their benefits broker negotiates for them and continue to transfer health care costs to their employees by raising deductibles.

This strategy isn’t sustainable. According to a survey from Milliman, the cost of health care for a typical family of four covered by an average employer-sponsored preferred provider organization (PPO) plan in 2017 was $26,944.

Further, the survey notes, of the $26,944 spent by a family of four, $11,685 is paid by the employee—a combination of $7,151 in payroll deductions for the premium and $4,534 in out-of-pocket costs. That comes to 43 percent of expenses paid by the employee compared to 57 percent by the employer.

Why is health insurance so expensive? Because health care is so expensive. But why is health care so expensive? Contrary to popular opinion, it's not because the unit cost of health care has increased. In Chase's book, Jeanne Pinder says, "cash or negotiated self-pay prices for many procedures vary little from year to year." Health care is expensive because third-party insurance carriers have kept the true cost of health care opaque so that consumers can't comparison shop. And it's expensive because there's an epidemic of unnecessary health care overutilization. For example, in 2010, $29.7 billion was spent in hospitalizing patients for potentially preventable complications of conditions like diabetes, congestive heart failure, and osteoarthritis. These are only three conditions among many that primary care doctors are expert at managing. So why the failure to manage them effectively in an outpatient setting? Because patients lack timely access to primary care. And even once they gain that access, their primary care physicians have too little time to spend with them. According to Merritt-Hawkins, in 2017, the average length of time primary care appointments last is only 15.7 minutes.

Unlike fee-for-service primary care, direct primary care offers 24/7 access to and a surplus of time with primary care physicians—often an hour or more at each visit. As a result, studies show that patients enrolled in DPC practices have 59 percent fewer ER visits, spend 30 percent fewer days admitted to the hospital, are referred to specialists 62 percent less often, have 65 percent fewer radiology exams, and 80 percent fewer surgeries. Because of this, some employers who self-insure—and who are therefore responsible for paying their employees' medical bills out of their own pockets—have saved as much as $260 per member per month on health care expenses.

In sum, companies that commit to spending more money upfront on primary care (which represents perhaps 2 percent to 5 percent of a company's total health care spend) can expect to spend far less on downstream care like ER visits, specialty visits, surgeries, and x-rays, which represent perhaps 40 percent to 60 percent of a company's total health care spend.

Yet the ability to rein in health care costs isn't the only thing DPC offers employers; it also offers them a way to win the talent war. According to McKinsey senior partners Scott Keller and Mary Meaney: "A recent study of more than 600,000 researchers, entertainers, politicians, and athletes found that high performers are 400 percent more productive than average ones. Studies of businesses not only show similar results, but also reveal that the gap rises with a job's complexity. In highly complex occupations—the information- and interaction-intensive work of managers, software developers, and the like—high performers are an astounding 800 percent more productive."

High-quality employees are in high demand. Attracting and retaining the best talent can make the difference between a company succeeding and failing. Workers carefully compare the different benefit packages that prospective employers offer them. Few companies are able to use their health benefit packages to entice prospective employees.
But with DPC, this changes. Most companies cover the cost of the membership fee for their employees, which means employees can now enjoy a direct relationship with a primary care doctor who responds to their calls, emails, and texts immediately; who gets employees in for office visits the same day or the next day as many times as necessary; and who can spend as much time with employees as they need—all at no cost to employees. What employee wouldn't consider that the best health benefit they've ever been given?

Direct primary care doesn't just improve access and quality of care, it reduces the cost of care by reducing unnecessary downstream health care over-utilization. For a self-insured company that pays its employees' medical bills out of its own pocket, DPC represents not only one of the best ways to control costs, but also by providing better service to its employees, a way to attract and retain the best talent.