Problem

One of the lesser-known factors driving skyrocketing health care costs across the country is the lack of primary care physicians. Indeed, many states are experiencing a severe shortage of primary care physicians. According to a 2018 report from United Health Group, 13 percent of American patients live in a county with a shortage of primary care physicians.

This shortage is exacerbated by the fact that many new physicians choose to practice specialty medicine instead of primary care medicine. Although there are many reasons for this shift, the high costs and logistical challenges inherent in primary care medicine are major contributing factors. According to the American Journal of Medicine, the percentage of US primary care physicians decreased from 50% in 1961 to 33% in 2015. The United Health study also found that only 288,000 out of 869,000 physicians choose to practice primary care.

Unfortunately, this problem is likely to become worse before it becomes better. The United Health Group study estimates that by 2030 there will only be 306,000 primary care providers in the nation. Additionally, by 2032, the number of Americans over age 65 will increase by 48 percent, according to the U.S. Census Bureau. This, along with several other factors, will magnify the need for primary care doctors.

Policy Solution

Direct primary care (DPC), also known as “retainer medicine,” could revitalize the U.S. primary health care system. Under a DPC agreement, patients pay a monthly membership fee, typically between $50 and $80. As part of the membership, patients can receive more appointments than they do under a traditional health insurance plan. Some DPC agreements even include same-day appointments and house calls.

The DPC model removes the layers of regulation and bureaucracy created by the traditional insurance system and allows physicians to interact more with their patients instead of wasting time filling out mountains of paperwork. Routine tests and procedures are also included in most DPC plans. Moreover, lower membership fees are often charged for programs that do not provide these additional services.

The main barrier blocking expansion of DPC is government interference in the health care market. Several states now define direct primary care providers as “risk bearing entities” when providing care in exchange for a monthly fee. This puts DPC doctors under the same regulatory and licensing system as insurers. The first reform states should consider should be a new law that would clarify DPC does not constitute insurance. Currently, only 25 states have a direct primary care law in place.

Other reforms states should consider are laws that would codify what is defined as DPC. This will bring clarity for new providers, and an exemption from certificate of need laws, which could accelerate the ability of DPC providers to grow or expand.

One model state legislators can follow is Nebraska’s DPC pilot program for state employees. The Cornhusker State’s pilot program offers two DPC plans: a high-deductible option and a low-deductible option. Furthermore, the program will include wellness incentives. A similar program in other states could serve as a proof of concept at a small scale and demonstrate if additional expansion should be considered.

Policy Message

Point 1: By 2030, demand for primary care is expected to increase by 38 percent for patients over 65, and by 55 percent for those over 75. Across all age groups, demand is expected to increase by 8 percent.

Point 2: Current primary care doctors face myriad regulations and a convoluted reimbursement system, which can drain up to 60 percent of a typical primary care practice’s revenue.

Point 3: A study in the American Journal of Managed Care found patients receiving DPC are 52 percent less likely to enter a hospital than those in traditional private practices.

Point 4: According to the Direct Primary Care Frontier, the number of DPC practices has increased from only a few in the early 2000s to nearly 900 as of August 2018.

Point 5: Under a DPC model, medical practice overhead can be reduced by as much as 40 percent, according to the Docs4Patient Care Foundation.

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For more information, contact The Heartland Institute at 312/377-4000 or by e-mail at governmentrelations@heartland.org. Or you can visit our website at www.heartland.org.