

To Cure Insurance Woes, Doctors Try Prepaid Plans (Taken from Wall Street Journal)

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Some Say Fee System
Cuts Costs, Boosts Care;
Dr. Wood's Legal Battle
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Vic Wood

WHEELING, W.Va. -- Vic Wood's walk-in clinic here sees patients six days a week and logs roughly 15,000 visits a year. Its sparsely furnished waiting room is packed much of the 11-hour day with people seeking care for conditions ranging from sore throats to chest pains.

PAYING UPFRONT

The Situation: Some doctors are testing a new approach to health care -- charging patients a flat rate in advance for medical services.

The Players: Physicians like Vic Wood, who began offering a prepaid plan at his West Virginia clinic in 2003 as a way to cut administrative costs and help uninsured patients.

The Hurdles: Rules for prepaid plans vary from state to state, and some critics have questioned whether the approach provides enough care for patients.

Despite the booming business, Dr. Wood and his staff -- another doctor and four physician assistants -- have battled strong head winds to keep the clinic going. Rising administrative costs and flat insurance-reimbursement rates make it tough to cover basic expenses. One in five patients lacks insurance; others are saddled with sky-high deductibles. Last year, Dr. Wood even cut his annual salary by half to help keep the clinic afloat.

In an attempt to turn the tide, Dr. Wood is trying a new approach -- one that he hopes will one day sustain his practice.

For a monthly fee of \$83 per individual or \$125 for a family, the clinic provides unlimited primary and urgent care. Those who enroll in the prepaid plan get office visits, lab work, X-rays and as many generic drugs as the clinic can provide.

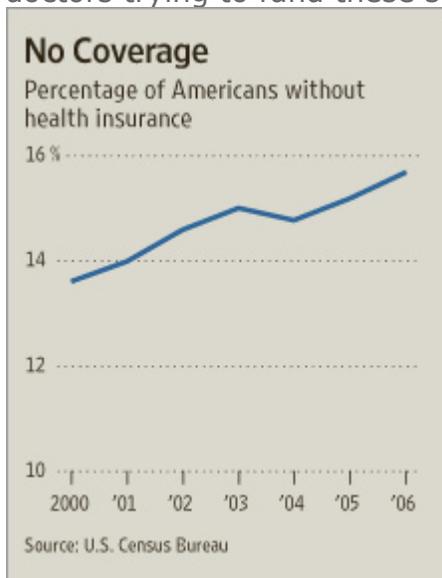
Dr. Wood is one of several hundred doctors across the country offering flat-rate, pay-in-advance plans. Though still experimental, proponents argue that the approach tackles two crises in U.S. health care: the rapid decline of doctors practicing primary-care medicine and the growing number of Americans who are

either uninsured or underinsured.

"I'll sign up one patient at a time if I have to," says Dr. Wood, who has so far enrolled 100 people in his plan. The streamlined system, he says, cuts down on administrative hassles and costs, compels more office visits -- and delivers better profits than one that relies on insurance dollars. "I can't see my practice surviving for the next 10 years without this model," he says.

Prepaid plans -- and the opposition they face from various industry and regulatory factions -- show how the medical establishment remains at odds over the delivery of basic care. Insurers say that high medical and drug fees force them to police doctors' treatments and rates. Physicians argue that the hassles of processing insurance claims and referrals means less time with patients. At the conflict's root, say health experts, is a medical payment system that tends to reward expensive, procedure-based care over routine, family-doctor visits.

"We all talk about how we'd like primary care to change, but we don't pay for those activities," says Paul Ginsburg, president of the Center for Studying Health System Change, a Washington, D.C., health-policy research group. "That's why you have doctors trying to fund these services in a new way."



While specialists' incomes have held steady, family physicians and internists have seen their incomes shrink 10% because of flat or falling reimbursements. Over the past decade, their ranks have fallen dramatically and the number of medical students who are going into the discipline has declined by half, according to the American Academy of Family Physicians.

A recent study in the British Medical Journal said that the average American logs barely 30 minutes a year with a primary-care physician -- half the time spent in other developed nations. That helps explain why the U.S. spends much more on health care than its economic peers, yet still fall behind on basic indicators such as life expectancy and infant-mortality

rates.

Prepaid plans aren't intended to replace more comprehensive coverage. Rather, physicians like Dr. Wood see them as filling an important gap in primary care. His main targets are individual patients with basic medical needs and employers who want to supplement costly, high-deductible plans.

A former state trooper, Dr. Wood trained as an osteopath, a physician whose specialty is the musculoskeletal system. In 1988, he took a job as medical director of a hospital-owned clinic called Doctors Urgent Care, which offered the services of a family physician as well as some emergency-room type care. "All my friends in medicine said, 'Don't go there,'" recalls Dr. Wood, now 51 years old. "But I had a

vision of providing full-scale primary care. People need health care after hours, too." In 1990, he bought the clinic.

The idea to sell prepaid primary care, he says, hit him after reading a magazine article about doctors in affluent communities marketing "concierge" services for annual retainers of as much as \$6,000. Those high-end services give patients 24-hour cell phone access to their doctors, longer same-day appointments and other extras. But a bargain-basement version, he figured, could be inexpensive for patients, ensure better care and be more profitable for his business.

Unlike traditional insurance, which is priced to spread the risk of high-cost illnesses like cancer across many people, prepaid care is more like a gym membership -- giving people medical access for a fixed cost.

To determine his fees, Dr. Wood says he estimated that the average adult would need about 20 itemized services a year -- from blood tests to X-rays. He leveraged his good relationship with the Ohio Valley Medical Center, an area hospital, to get lab work performed at low Medicare rates. He also put together a list of 100 generic drugs that he could buy directly from wholesalers. Drugs for chronic conditions such as high blood pressure he made available at \$10 for a month long supply. Patients who needed to be on antibiotics and other short-term, acute-care medicines would get them at no extra charge.

In November 2003, Dr. Wood took out a quarter-page ad in a local newspaper that began, "Attention Ohio Valley Residents, Are You Ready For a New Concept in Health Care Delivery!" He also called on a few local health-insurance executives to explain how they might offer insurance plans that worked together with his approach.



David Yuncke

David Yuncke, a private music instructor, was the first to sign up. Joining his wife's company plan would have cost \$400 a month, so he'd gone without coverage for four years -- and avoided seeing the doctor. Tests from his first visit with Dr. Wood in late 2003 showed he had a high cholesterol level, of 272. After getting more regular checkups and medication, his cholesterol level has since dropped by half.

"I get more than my money's worth," says Mr. Yuncke. "If you don't have something [very serious], this is wonderful." Even though he says he plans to eventually sign up for more comprehensive care, he doesn't plan to stop seeing Dr. Wood.

Prepaid plans have raised concerns among insurers and some regulators that patients might forgo broader health coverage -- or get ripped off. If the approach took off, it might become a competitive threat to insurers' business, especially if doctors can provide prepaid care without having to jump the same regulatory hoops as health insurance.

Soon after Dr. Wood began advertising his plan, he received a call and a letter from

the state's insurance commissioner saying he was essentially operating as an unlicensed insurer. He was asked to stop offering the service.

Unlike medical practitioners, insurers are required to submit rates for state approval. They also must provide evidence that they're financially solvent with adequate reserves. "Otherwise they can end up walking off with other people's money," says Commissioner Jane Cline. Plus, she adds, "We don't want someone who has a full-benefit plan to jump to this plan because of the price."

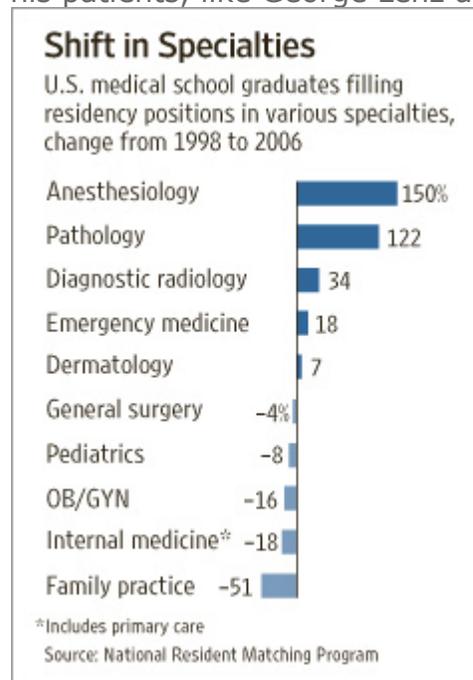
Dr. Wood stopped advertising but took the battle to the state legislature, using a \$300,000 line of credit to drum up a lobbying campaign. Some of the funds he used to hire extra staff to fill in for him while he traveled back and forth to Charleston to fight for his cause. A bill that would have exempted him from the state's insurance statutes passed in the state Senate, but eventually died in the House.

He found a lucky reprieve in late 2004, when he cornered Gov. Joe Manchin at an election fund-raiser. Intrigued, the governor appointed him to a task force charged with tackling the state's uninsured problem. After more than half a year of meetings, the task force called for a three-year experiment with prepaid care as part of a legislative package. The measure was enacted into law last spring.

Rules and regulations for prepaid plans vary from state to state. But the basic idea may have a better chance of catching on here in West Virginia than in most states. West Virginia has one the lowest median household incomes in the country. Many residents can't afford to spend much on health care. A once-thriving city at the height of the coal boom, Wheeling now has half the population it did 50 years ago, with many workers toiling in low-paying service jobs.

Three clinics, including Dr. Wood's, are participating in the statewide experiment. Half a dozen more are applying through the state's Health Care Authority, which is overseeing the pilot project.

Dr. Wood says he hopes most patients and local employers who sign up for prepaid care can use it to supplement a catastrophic, or high-deductible, plan. But some of his patients, like George Lenz and Michael Lujano, simply can't afford anything else.



Both men were diagnosed with HIV infection 19 years ago and the couple had health insurance until 2005. Though neither has AIDS and the HIV virus remains at undetectable levels in their bodies, their insurance premiums climbed from \$300 a month to roughly \$1,000 by the time they were forced to drop coverage.

"Then no doctor would take us," says Mr. Lenz, who owns a downtown hair salon with Mr. Lujano. They eventually scored an appointment in nearby Pittsburgh but the bill was prohibitive. A single round of lab tests to monitor the virus cost

\$1,500, and they put off further visits. Mr. Lenz's mother alerted them to Dr. Wood's ad, and in August, the two men joined his subscription plan. Dr. Wood's model includes the blood workups necessary for proper monitoring.

If either were to need more specialized care or costly drugs, however, the plan wouldn't provide for that. Even so, "this is a step in the right direction," says Mr. Lenz.

Insurers in the state have been examining the merits of prepaid plans. One of West Virginia's biggest, Mountain State Blue Cross Blue Shield, says it has been exploring whether to design an insurance product that would complement Dr. Wood's plan. The idea: to allow patients to apply the monthly retainer they pay his clinic toward the deductibles under their regular insurance plan.

The insurer is still on the fence about such a plan's cost-effectiveness. "But we want to see if there's opportunity here," says Fred Earley, general counsel and senior vice president of Mountain State's external operations.

Others have written off prepaid plans as a bad deal. "[The price] seems awfully high for just primary care," says T. Randolph Cox, a Charleston, W.Va., lawyer and lobbyist who represents several of the state's biggest insurers. "If you're sick, you're better off having the opportunity to go to a specialist or a hospital."

Some local business owners say they've saved big by taking the prepaid route. Phil Santinoceto is one of them. After several years of premium increases, he says his medical-billing and management company was paying more than \$130,000 a year to cover himself and his 20 employees. In a single year, 2005, he got hit with a 32% rate hike.

Last year, he included Dr. Wood's plan as part of the firm's medical benefits. He also switched to a major medical plan with a higher deductible. The result: monthly savings of \$4,000. This year, instead of a premium increase, his insurer actually lowered rates by 3.4% -- largely because the staff used less specialty care, required less time in the hospital and used Dr. Wood's clinic for nearly all of their primary care. "That's the first time we've seen [a rate decline] in years," says Mr. Santinoceto.

Dr. Wood, meanwhile, says he's currently signing up new prepaid patients at a rate of about a dozen a month. He projects that 1,200 enrollees would be enough to support the clinic.

"I'm going to take this as far as I can," he says. "Primary care is the one area of health care that every patient needs to participate in -- and this is the way to do it."

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