Crisis in healthcare: Does Vic Wood have the answer?

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Vic Wood of Wheeling, WV, is one tough hombre.

As a football player at West Liberty State College, Wood took his licks returning punts and kickoffs, and dished them out as a defensive back.

As a former state trooper, he wrestled more drunks into his squad car than he cares to remember.

These days, the soft-spoken, but formidable family physician is mixing it up in the role of healthcare reformer. Three years ago, Wood began advertising that his clinic would provide unlimited primary and urgent care for a monthly fee of $83 for an individual, $125 for a family. Wood immediately ran afoul of the state insurance commissioner, who warned him that he was operating as an illegal insurer, a felony punishable by up to five years in prison. For the next three years, Wood pushed for legislation—and got pushed back by the insurance-industry lobby—that would legalize his experiment. Now instead of prosecuting Wood, West Virginia is replicating his bargain-basement version of concierge medicine in a pilot program. The goal—to make healthcare more affordable in one of the poorest states in the nation.

To Wood, it's all about removing the financial middlemen between doctor and patient, at least when it comes to primary care. "There are answers to the healthcare crisis that don't involve insurance companies," he says.

Prepaid primary care is by no means a complete answer, since it leaves out hospitalization, medications, and specialist care. But combine it with a health savings account and a high-deductible insurance policy, as Wood suggests, and his capitation-like proposal looks a little more interesting. Not surprisingly, doctors in other states are thinking the same way—and at least one has encountered the same sort of opposition from the insurance industry.

The uninsured have fear in their eyes

A classic Rust Belt state, West Virginia needs a healthcare system fix more than most. Nearly 18 percent of its citizens had no health insurance in 2005, ninth from the bottom among the 50 states. They don't have much money for out-of-pocket payments to a doctor, either. In 2004, West Virginia ranked dead last in household median income at $31,504. Yet its unemployment rate that year was below the national average, indicative of a state flush with the working poor.

West Virginians enjoyed better times when its coal mining and steel industries operated at full throttle, providing union jobs with benefits, according to state Sen. Jeff Kessler, a legislative ally of Wood. Now the steel mills are either closed or operating at reduced capacity, while mechanization and hard times have drastically shrunk the ranks of coal miners.

Hugging the Ohio River in the state's northern panhandle, Wheeling epitomizes the state's economic depression, evidenced by its many boarded-up stores and vacant lots where buildings were razed. The city's population dwindled from almost 60,000 in 1950 to 30,000 in 2005, inspiring a black-humor bumper sticker: "Will the last one out of the valley please turn off the lights?"

It's here that Wood, associate FP Doug Midcap, two physician assistants, and a nurse practitioner log 20,000 patient visits a year. Wood's clinic, called Doctors Urgent Care, takes patients strictly on a walk-in basis six days a week, and up to 7 p.m. Monday through Friday. Besides providing the preventive and chronic-disease care at the core of family practice, Wood treats patients whose cuts, broken bones, and fevers might otherwise send them to the emergency department. "We generate 92 percent of the CPT codes you find in an ED," says Wood. A broad array of ancillary services such as X-rays, lab work, cryotherapy, and ECGs equips Wood for urgent and primary care alike.

At the moment, Wood's retainer plan accounts for only a small portion of practice revenue. Most patients have traditional insurance, while an estimated 30 percent pay out of pocket, either because they lack insurance or have a high-deductible policy. Self-pay, Wood notes, is a problematic way to go. "If you've ever looked into the eyes of someone without insurance, you see uncertainty," he says. "Let's say he's just been diagnosed with diabetes. He's scared because he doesn't know how much it's going to cost to treat his disease. So he delays, delays, delays getting the care he needs, and then the disease process is full blown and he lands in the hospital."

Prepaid primary care means predictable costs

Wood isn't the first in West Virginia to charge a retainer for medical care. Coal mining companies used to deduct a few dollars each month from a miner's wages to pay the company doctor. And two federally qualified health centers offer similar programs. One called Valley Health, for example, guarantees up to $3,000 worth of care—everything from office visits to medications—to uninsured working people in Cabell County, WV, for $72 a month, an amount usually split between employer and employee. With average monthly expenses per enrollee at $80, the program nearly pays for itself, says health center administrator Lanie Masilamani. Surprisingly, only about 80 people are participating.

"We have no idea why the number is so low," says Masilamani, whose

program was approved by the state legislature. "Our best guess is that people think it’s too good to be true. And healthy people in their 20s may not see the value in it."

Wood says he seized on the idea of prepaid primary care for the uninsured in 2003 when he read a magazine article about concierge medicine. He knew he couldn’t charge a yearly retainer of $5,000 in hard-luck Wheeling as some concierge doctors do in affluent suburbia. But what was the lowest amount he could charge and still earn a reasonable profit? To answer that question, Wood had to estimate how much care a typical patient would need.

"I didn’t look at how many visits a patient averaged each year. Instead, I looked at the total number of services—labs, X-rays, and procedures as well as visits. I estimated that the average adult needed about 20 services a year. And I estimated that $1,000 a year would cover them."

This math translates into Wood’s retainer fee of $83 a month for an individual. A family pays only $42 more. Enrollees are entitled to unlimited office visits; any service the clinic provides, including labs and X-rays; and healthy-lifestyle counseling. Wood throws free injectable medications, crutches, and splints into the deal. He treats sick children, too, but refers them elsewhere for immunizations.

Wood made the plan available to his staff, then advertised it to the community, envisioning that small businesses might even purchase it for their employees. His first taker was a self-employed music teacher named David Yuncke. It was good timing for Yuncke, who was diagnosed with high cholesterol.

"Between the lab work and the Lipitor samples, I’m definitely getting more than my money’s worth," says Yuncke. "I feel like I’m cheating Vic."

In all, 50 people other than employees have signed up for prepaid care so far. "Two thirds are individuals," says Wood. "The average age is 37. They’re typically employed, so they make too much money to quality for Medicaid."

Is he breaking even on them? So far, says Wood, the demand for services seems to be staying within his original estimates.

A costly fight for a legislative victory

The number of patients paying Vic Wood a monthly retainer might be higher if it hadn’t been for the intervention of state insurance commissioner Jane Cline, who said he was operating as an unlicensed insurer. Wood stopped advertising his prepaid primary care, but since he never received a formal cease and desist order, he maintained the program and continued to add enrollees here and there.

To ward off future trouble, Wood turned to the state legislature 180 miles away in Charleston and sought an exemption from insurance regulations, such as the need to have millions of dollars in reserves. A bill to that order passed in the state senate, but died in the house. Wood attributes the defeat to lobbying by the insurance industry.

T. Randolph Cox, an attorney who lobbies for HMOs in West Virginia, says the legislation would have given doctors like Wood an unfair competitive advantage over health plans since they wouldn't have to comply with regulations designed to protect consumers. For example, retainer practices should be subject to rate review, says Cox, noting that Wood's monthly fee for individuals is almost triple the amount that HMOs typically budget for primary care per individual.

But why should insurers view a medical practice as serious competition? It's because insurers have been targeting lower-income Americans themselves with "limited benefit plans" that resemble Wood's prepaid model, explains Paul Ginsburg, president of The Center for Studying Health System Change. Such plans may exclude hospitalization, cap the number of office visits per year, or limit total costs to several thousand dollars, but monthly premiums are dirt cheap—as low as $40. "So insurers see retainer doctors as bona fide competition," says Ginsburg.

Although flattened in the state legislature, Wood caught the attention of West Virginia Gov. Joe Manchin, who appointed the doctor to a task force that was addressing the needs of the uninsured. Wood resumed his three-hour drives to Charleston through hilly, coal-mining country to espouse prepaid primary care.

"For a long time, I was making the trip once a week," says Wood. "I wore out a car in the process. The whole experience was a blur."

And an expensive blur, too. He estimates that his adventure in health policy cost him approximately $300,000 when he adds up his travel expenses and lost income as well as what he spent to lobby politicians. "It almost pushed me to the point of bankruptcy."

But Wood's perseverance and sacrifice paid off. The task force recommended, among other things, that the state launch a three-year pilot project for prepaid primary care. Gov. Manchin touted the task force recommendation, legislation was drafted, and on April 3, 2006, Manchin signed the measure into law (he was careful to say it wasn't insurance).

Under the pilot project, eight healthcare organizations selected by the state will offer patients a two-page list of basic primary care services similar to those Wood provides. Predictably, Wood has applied to participate (as of press time, the selections had not yet been announced). Each organization has the latitude to set its own fee and even charge co-pays, although rates must be approved by insurance commissioner Jane Cline.

Even though Wood prevailed in the state legislature, the insurance industry isn't exactly lying down. On the same day Manchin signed the bill authorizing the three-year pilot project, he also signed another bill permitting health plans to offer—surprise—a limited-benefit policy that would cover primary care and preventive services. The premiums, Manchin said, could be as low as $99 a month.

Can Wood's model pay off?

The experience of Seattle internist Garrison Bliss suggests that the pilot project for retainer medical practices in West Virginia might gain traction. Bliss has made a living treating 800 patients outside the realm of insurance since 1997.

Vic Wood says that to maintain his clinic's current revenue level, he and his associate together would need to expand the number of retainer patients to either 1,500 individuals paying $83 a month, 1,000 families paying $125 per month, or some combination of the two categories. A family, of course, counts as two patients at minimum. All told, preserving the status quo translates into a roster of 750 to 1,000 retainer patients for each doctor.

The patient count is important because if a retainer practice sets its fees too low, it may be tempted to make ends meet by enrolling more people than it can reasonably handle. "In most cases, I don't think the concierge model can be done well with more than 600 patients," says Roberta Greenspan, a Chicago management consultant who specializes in concierge practices.

It's not just the number of patients that figure into the business equation, it's their morbidity. "The biggest risk facing a doctor in a retainer practice is attracting a disproportionate share of sicker patients, who require more services," says think tank president Paul Ginsburg. Wood says he expects to enroll more medically needy patients as his retainer practice expands, but balance them with enough healthy patients.

"It's like a restaurant owner who charges $9 for his buffet," says Wood. "He knows some people will eat $12 worth of food, and some only $6 worth."

Even if prepaid primary care works for patient and doctor alike, it's still open to the charge of being a piecemeal approach to making healthcare affordable. Both Wood and Bliss counter that their service goes hand in hand with an HSA and a high-deductible insurance policy, and that all of them could be employee benefits. The premium for primary care, notes Wood, could automatically apply toward the policy's deductible.

This arrangement, Ginsburg says, runs counter to the spirit of HSAs and high deductible plans, which are supposed to make patients more prudent users of healthcare by saddling them with more financial responsibility. "With prepaid primary care, patients assume less risk," he says. "They can

visit the doctor as often as they want."

Still, Ginsburg isn't willing to dismiss prepaid primary care—which he classifies as insurance—simply because it's fragmentary. "In the history of health policy, people unfortunately pass up partial solutions that would improve things because they're waiting for an ultimate solution that never arrives."

Sonia Chambers, chair of the West Virginia Health Care Authority, views the pilot project as a good start in serving the needs of the uninsured. "We are talking to specialty societies to see if they could put together networks offering reduced rates," she says. "We don't see the pilot project as a comprehensive solution."

If the initiative fizzles, it won't be for any lack of effort by Wood. "This model of healthcare is driving me," he says. "I feel obligated to offer it to patients." He's looked into their eyes long enough to know something has to change.

Washington state also ponders retainer practices

While FP Vic Wood's idea of prepaid primary care was inspired by concierge medicine, his Wheeling, WV, practice (discussed in the accompanying article) doesn't fit the classic concierge mold. Most concierge practices charge patients what some have called an access fee, but nevertheless bill the patient's health plan for services, says Seattle internist Garrison Bliss, chairman of the Society for Innovative Medical Practice Design, an association for concierge doctors.

Bliss and his two partners belong to that minority that eschews insurance and charges a global fee covering all primary care. Monthly rates are based on a patient's age—$40 for ages 14 to 20, $65 for 21 to 35, and $95 for those over 35. Each doctor limits himself to roughly 800 patients, most of whom have health insurance.

Bliss likens his retainer practice not to an insurance plan, but to a health club membership. He views Wood as a kindred spirit in the cause of restoring the doctor-patient relationship, sans middleman. "We focus on doing the job right, not doing the billing right," says Bliss "That's a very big change in the culture of medicine."

Now Bliss is waiting for Washington state law to catch up with this change. Earlier this year, state insurance commissioner Mike Kreidler requested legislation to exempt doctors like Bliss from laws governing insurers. The bill would have created a lighter regulatory burden, requiring, for example, that physicians place monthly retainer fees in a trust account and access them only at the end of the month. And physicians couldn't turn away patients based on their health.

Mirroring what happened in West Virginia, the Washington bill sailed through the state house by a vote of 95 to 3, but sank in the senate after the insurance industry mobilized in opposition. Its arguments sounded familiar—the bill lacked consumer safeguards such as rate oversight, and it favored retainer practices over insurers. Kreidler plans to have the bill reintroduced in the next legislative session.

Meanwhile, nobody is telling Bliss to shut down his concierge practice. That’s good news for him, because he envisions a new, less expensive version of prepaid primary care for the uninsured. Next year he plans to launch two clinics—each staffed by two doctors and two nurse practitioners—where patients can make same-day appointments. It will be open 12 hours each day of the week. "The monthly fee will probably average around $60, with older patients paying no more than $75 or $80," says Bliss.