

How concierge medicine is changing health care

By Devin Leonard
Photographs by Ryan Lowry



Priority Physicians' Craig Veatch and Shelagh Fraser



The Cash-Only Doctors' Club

A

n anxious woman in her mid-40s showed up last winter at Atlas MD, a family doctor's office in Wichita. She had lost her job as a restaurant cook, and along with it her health insurance and her home. She needed to see a doctor.

Atlas MD isn't a free clinic. It's a concierge medical practice, which means you can't get an appointment unless you pay cash. Atlas MD's two physicians, Josh Umbehr and Doug Nunamaker, don't accept insurance. Instead, they charge most of their adult patients \$50 a month for unlimited visits. They also offer free EKGs and biopsies and cut-rate prices on prescription drugs. Two-thirds of their patients have insurance but feel the fee is well worth it for personalized service, including house calls, the doctor's cell-phone number, and quick responses to e-mails and Twitter messages. The rest of Umbehr and Nunamaker's clientele are uninsured. For those patients, Atlas is the only way of seeing a family doctor regularly. Contrary to those who say concierge doctors like themselves are getting rich by focusing on personalized care at a high price, Nunamaker and Umbehr, who are in their early 30s, contend that they can grow their practice by appealing to a broader clientele.

"I want to be one of the 1 percent," says Umbehr, who likes to talk business as much as he does medicine; Ayn Rand's *Atlas Shrugged* inspired the name of his two-year-old practice. "But the problem with the 1 percent is there's only 1 percent of them. If you want to build a business model that's really far-reaching and world-changing, then it's got to fit everybody."

It was midway through the month when the homeless woman arrived at Atlas MD, so Nunamaker asked her for \$25 and examined her immediately. She told him she was always tired and couldn't keep a job. She was living in a storage shed. Nunamaker gave her a blood test, which revealed an extreme case of hypothyroidism. That explained her exhaustion. "I get why you are so fatigued," he said. "Your thyroid isn't working as well as it should." He put her on medication that would boost the hormone her thyroid gland wasn't producing and restore her vitality.

The woman stayed with Atlas MD for three months until she was feeling better. Then she left. Nunamaker gave her three months of inexpensive prescription refills and wished her well. He would have preferred to see her stay on. But he and Umbehr are proud that they were able to restore her health for \$147, including tests and prescriptions. (They made money on her monthly retainer, but not on the tests and labs. Atlas MD provides them at cost.) They estimate that she would have paid as much as \$1,500 if she had gone to a regular doctor. It was undeniably a good deal for her; had she required hospitalization, however, the bill would have been enormous and not covered by Atlas.

The Atlas MD doctors are eager to tell this story. They're convinced that concierge medicine, often thought of as a luxury for the rich, is affordable for everyone and might even be the salvation of the American health-care system. "We've fixed health care," Umbehr proclaims, later admitting that he tends to be "grandiose."

The doctors at Atlas MD are among a growing number of physicians opting out of the traditional insurance-driven model. They see their older peers at traditional practices struggling to keep afloat at a time when administrative costs are rising and insurance payments

have basically stayed flat. Many of these rebel doctors charge high fees and target the wealthy—visiting them at their homes, accompanying them to specialist visits, and offering them what they market as physicals fit for a CEO.

There are 4,400 concierge doctors in the U.S., 30 percent more than there were last year, according to the American Academy of Private Physicians, their professional association. "This is all doctors want to talk about," says Jeff Goldsmith, a health-care industry analyst and trend spotter. "I want to go off the grid. I'm done billing Blue Cross. I can't deal with this anymore. It's destroying my life and my relationship with my patients."

Some health policymakers are encouraged by this trend. They think an increase of direct-pay doctors—especially affordable ones—could lead to better health care in the U.S., which has the highest costs and some of the worst outcomes of any wealthy nation. "I think it's great," says Kevin Schulman, a professor of medicine and business administration at Duke University. "We're rediscovering that if we just ask people to pay for services, we could provide them with better value. Primary care is affordable."

Others worry that the growth of concierge medicine will mean the affluent receive high-quality care while the rest of the country struggles to be seen by fewer and fewer doctors. "It is a step towards a two-tiered health-care system: a system where the rich get first-choice care and the not-so-rich get second-choice care," says Kathleen Stoll, deputy executive director of Families USA, a health-care consumer advocacy group.

This much is certain: There will be greater demand for primary-care physicians because of President Obama's Affordable Care Act. "Love it or hate it," Atlas MD's Umbehr says of Obamacare, "it's going to make it harder for you to see your doctor."

Primary-care physicians have long complained of being the poor men of their industry. Their median salary is \$160,000 a year—roughly half of an anesthesiologist's—but rising overhead, more paperwork, and packed waiting rooms are propelling ever-greater numbers to shed patients and charge a retainer. In 2011 the average American medical practice spent \$82,975 per doctor dealing with insurers, according to the Commonwealth Fund. That same doctor has 3,281 active patients over a three-year period, says the American Academy of Family Physicians.

She rarely has time to see them for more than a few minutes. The attraction of concierge medicine for her isn't hard to fathom: She can winnow down her patient roster, spend more time with each, and do away with her insurance-related headaches.

It will only become more enticing in 2014 when the Affordable Care Act's individual mandate requires everyone to be insured. The law will enable 30 million previously uninsured people to get coverage through an expansion of Medicaid. They'll need primary care, but it's not yet clear who will give it to them. By 2020, the Association of American Medical Colleges estimates, there will be 45,000 fewer primary-care doctors than the U.S. needs. "For the last 13 years, very few students have been going into it," says Patrick Dowling, chairman of the department of family medicine at the University of California-Los Angeles's David Geffen School of Medicine. "What motivates medical school students is income, just like everyone else."

Proponents of concierge medicine insist that more time with each patient allows them to provide holistic care that

can prevent diseases such as diabetes that are major drivers of health-care costs in America and keep people out of hospital emergency rooms. Garrison Bliss, co-founder of Qliance, a low-cost concierge medicine company based in Seattle, estimates that if everybody in the nation went to one of his doctors, the country would save \$268 billion annually. In 2010, Qliance says, its clients visited emergency rooms 65 percent less than similar patients. Thirty-five percent fewer of them needed to be hospitalized. They required 66 percent fewer specialist visits.

But when doctors go the concierge route, they often reduce their patient roster as much as 80 percent, creating more scarcity. "There aren't enough primary-care people around now," says Arthur Caplan, director of medical ethics at the NYU Langone Medical Center. "When concierge practices spread, that means more and more people will be left without any access to primary care."

It also affects other doctors. Russell Phillips is the director of the Harvard Medical School Center for Primary Care and a practicing physician at Beth Israel Deaconess Medical Center. "We have a handful of doctors affiliated with Beth Israel who have done this," he says. "Every time it happens, it is an event. We have to figure who is going to take their patients."

As consumer advocates and policymakers fret, concierge doctors are making money. Corporate interests are getting involved, too. In 2009, Procter & Gamble bought MDVIP, a national concierge medical franchise, for an undisclosed amount. Venture capitalists are investing in direct-pay practices, and private equity firms are interested. "When the private equity folks come to our conferences, they say the winds are in the sails of both supply and demand for private medicine," says Tom Blue, executive director of the American Academy of Private Physicians. "That spells opportunity."

It's a Thursday morning in September, and Howard Maron, considered the father of concierge medicine by many, is sitting at a table



Priority Physicians charges about \$5,500 per patient per year for personalized service including house calls, prescription delivery, and unlimited face time



"The private equity folks... say the winds are in the sails of both supply and demand for private medicine"

in the Gallery restaurant at the Carlyle hotel on the Upper East Side of Manhattan. With his bushy white hair and a white mustache, the 61-year-old doctor looks like Ted Turner. He has a similar bravado. He went to UCLA

Medical School. In 1980 he started a traditional primary-care practice in Seattle with three doctors. Maron had 3,000 patients. He says that as long as 30 of them were sick on a given day, his office was full, and he made money.

In 1982, Maron became the team physician for the Seattle SuperSonics. It wasn't a full-time job. But when the team had away games, he tagged along and looked after the basketball players. Maron arranged for sick SuperSonics to see the best specialists wherever they were on their road trips. He would get players into hospitals under assumed names to keep them out of the papers. "It was spare-no-expense," he says wistfully. "It was 'Get it done and get it done right.'"

In 1996, Maron founded MD2 International, hoping to offer the same level of care to a select group of patients. He thought he could do this if he and his partner, Scott Hall, saw only 50 families. MD2 would charge them \$25,000 a year. Maron says other Seattle physicians thought he was crazy: "They said, 'Nobody is going to pay you.'"

Maron says he quickly attracted enough patients. "When you open up an office and you know that you're going to be limited to only 50 families, the shoe is on the other foot," he boasts. "They think they're interviewing you, but you're interviewing them. You want very special people because this is it. This is your cadre."



SOURCE: AMERICAN ACADEMY OF FAMILY PHYSICIANS, COMMONWEALTH FUND, AMERICAN ACADEMY OF PRIVATE PHYSICIANS

Fraser, Veatch, and the other doctors at Priority Physicians see about 200 patients each

He decorated his office with marble bathrooms and antique sculpture. He gave clients lengthy physicals. He got them appointments to see the best specialists in Seattle. And his patients never had to fill out a form, because MD2 didn't accept insurance. Maron compares the experience to traveling by private jet. "I fly private, too," he adds.

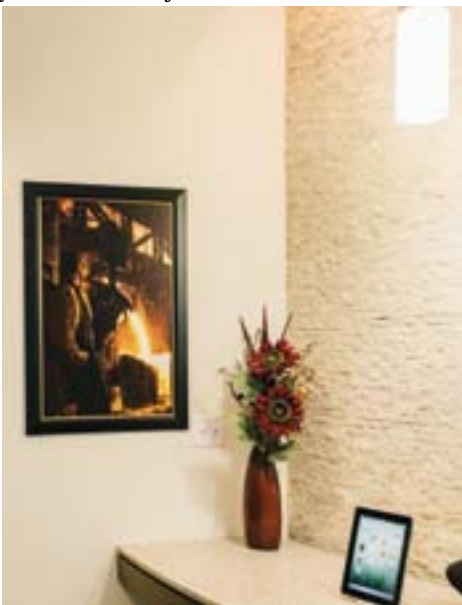
Maron opened offices in San Francisco, Dallas, Chicago, and Portland, Ore. Much to his consternation, other concierge doctors emerged and charged less. "They dumbed the model down," Maron grouches. "Really, the only person who has their finger on the pulse of this is me."

In 2002, Craig Veatch and Matthew Priddy of Priority Physicians started tending to patients in Indianapolis with substantial incomes. Each saw no more than 200 patients and charged most adults \$5,500 a year. "We knew there were people out in Seattle charging \$10,000 to \$25,000 a year," says Veatch. "We just felt that the cost of living is a little bit lower in the Midwest."

The doctors at Priority Physicians also refuse insurance, but they do make house calls. They drive their patients to the hospital when they need surgery. (Patients use their insurance to pay for visits to specialists and hospitals.) They even make pharmacy runs for them.

They also insist their services are not exclusively for the well-heeled. "We have patients who say, 'I'll forgo an extra vacation so I can come and see you,'" says Shelagh Fraser, a doctor who joined Priority in 2006. "I mean, we certainly have some very wealthy patients," Priddy adds. "But we have many patients whom you would consider middle class who employ our services instead of

The waiting room at Umbeh's practice features iPads for patients and other luxe features



lease a BMW for \$800 a month. They just drive a cheaper car." Last year, Tim Herd, chief executive of a local property and casualty insurance company, came to Priority Physicians for a flu shot. He brought his two children, who are in college. They marveled at the plush carpets, heavy wooden doors, and black leather sofas in the exam rooms. "My kids said, 'Dad, no wonder you like this place. It's like the Four Seasons of doctors' offices,'" Herd chuckles.

Practices offering cheaper models sprang up elsewhere. The largest is MDVIP, headquartered in Boca Raton, Fla., and founded in 2000. Each MDVIP doctor can have 600 patients. "Six hundred is really the maximum that you could have to provide that annual exam and follow up," says MDVIP President Mark Murrison. MDVIP charges an average annual fee of \$1,650. It also bills insurance companies for procedures. It has 580 doctors in 40 states and 200,000 patients. MDVIP also has an aggressive growth strategy: It says it recruits older doctors willing to shed many patients and tend to those who pay extra. Some people find this approach ethically dubious. "There has been a long-standing prohibition within the medical profession against abandonment," says NYU's Caplan. "Once you have a long-term relationship with a patient, you are supposed to stick with them or find them someone else."

MDVIP says its physicians try hard to place former patients. Still, some of them feel burned. In a letter published in the Memphis *Commercial Appeal* after a local practitioner joined MDVIP, one ex-patient asked, "What happened to the Hippocratic Oath?"

Some doctors had a more egalitarian vision for concierge medicine. One of them was Bliss, who practiced with Maron before Maron departed to create MD2. "Howard went off and started his practice for \$25,000 a year per patient," Bliss says. "You know, by invitation only? I didn't have any interest in that. Why would I want to take care of 50 rich families?"

A self-described liberal in medical school who didn't care about business, Bliss sat down with his spreadsheets and came up with a different model for Seattle Medical Associates, which he founded in 1981 and reopened in 1997. The new practice didn't take insurance. Instead, the highest price he and his partner, Mitchell Karton, charged was \$65 a month. Each doctor could see 800 patients.

In 2007, Bliss was restless. One of his patients, a venture capitalist, urged him to create a company that could expand nationally. So he started Qliance, a concierge medicine provider with five offices in Washington State. Qliance, which has since raised \$17 million in venture capital, still charges most patients \$65 a month. Its 5,000 clients include truck drivers, grocery store clerks, and other blue-collar workers. They can contact their doctor at any hour. When they visit an office, they are guaranteed at least half an hour with their doctor. Like wealthy patients at a pricier concierge practice, Qliance's patrons often have insurance, but are willing to pay extra for convenience.

"One time my old doctor was giving me a physical," says Jed Aldridge, a retired 65-year-old firefighter and Qliance patient who lives in a Seattle suburb. "After 10 minutes he looked at his watch and

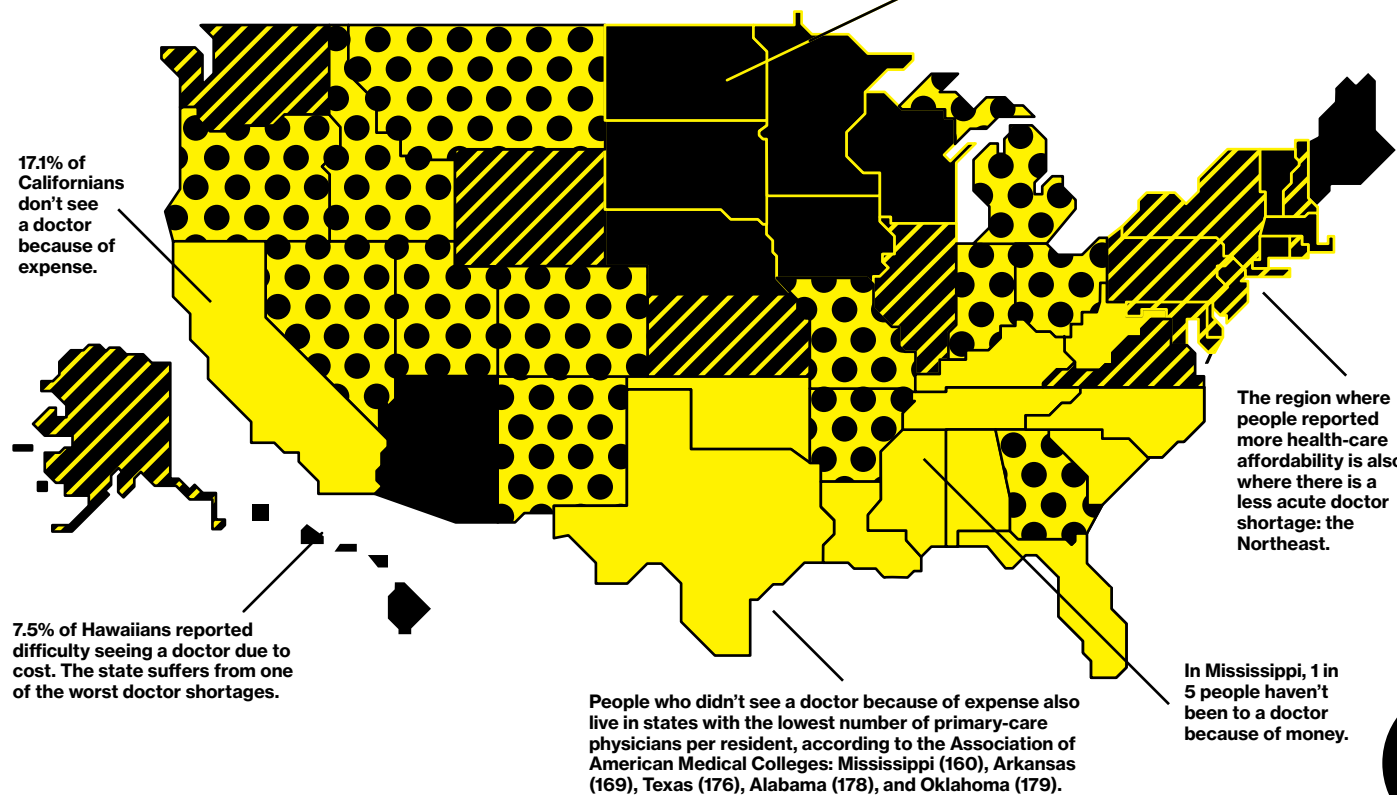
said, 'Our 15 minutes are almost up.' Are you kidding? I'm getting older. I have more than 15 minutes of medical issues to talk about." Aldridge says he never feels rushed now.

Meanwhile, in Wichita, Atlas MD began collecting \$50 a month for most patients in 2010. Umbeh and Nunamaker say they can charge a fraction of what other concierge doctors ask because they run a lean operation. They need no office manager to handle insurance, and the only other employee is Jeannie O'Callaghan, a registered nurse. The doctors often answer the phone themselves. They make coffee and wipe off the counters.

Where Cost Interferes with Care

Percentage of people surveyed who say they couldn't see a doctor in the past 12 months due to cost

- 6.5%—10.8%
- ▨ 11.1%—13.1%
- 13.3%—13.7%
- 16.8%—20.9%



Both occasionally work in the emergency room at a local hospital to cover their startup costs. Still, each expects to make \$200,000 this year. "The math does work out," Umbeh says. "Some of the people we went to medical school with are coming out and signing \$140,000-a-year contracts with hospitals."

On a Monday morning in October, Umbeh and Nunamaker are sitting in their expansive, high-ceilinged waiting room. It's almost 9 a.m., a time when most physicians' offices are bustling with patients. Atlas MD is strangely peaceful. The first patient visit isn't scheduled for another half-hour.

Nunamaker and Umbeh spend much of their time interacting with their patients online, and on this day, Nunamaker is trading e-mails with a woman whose son has strep throat. He holds up a fairly gruesome image on his iPhone of the child's throat. "Enlarged tonsils, pus pockets, sore throat, a fever," he says. There's no reason for the mother to bring her sick child into the office to hear that he needs a stronger antibiotic. He can handle that digitally. Umbeh shares an even more unsettling phone image, a boy with an eye infection. He has been corresponding with the boy's mother and decides the infection isn't serious. He says the mother manages a call center and can't afford to leave work. He e-mails a prescription to a Walgreens near her job. That way, she can pick up the medication on her lunch hour. "She's making

\$24,000 a year and has a concierge doctor," Umbeh boasts.

The question is whether such inexpensive concierge care can be a model for everybody. Ezekiel Emanuel, a former White House health-care policy adviser and one of the architects of the Affordable Care Act, doesn't think so. "The problem is, it excludes specialty care, complex diagnostics, hospitalization," he says. "People need insurance. They need the whole product."

Conceding the point, some of the more forward thinkers in the concierge movement are trying to figure out how to build a new model for primary care by combining their services along with insurance. In 2012 the average premium for an employer-provided insurance policy for a family of four climbed to a record high of \$20,728, according to Milliman, a health-care consultancy. What if families could purchase cheap concierge care from a provider like Atlas MD and supplement it with lower-priced insurance? Wouldn't there be a cost savings? "Health insurance should work more like car insurance," says Umbeh. "We have car insurance for all the big stuff, but we pay for gas, tires, and oil changes ourselves."

Qliance just launched a pilot program with Cigna that does something like that. Meanwhile, Bliss has pitched a plan to help Medicare save money. "We'd love to do that," he says. "We think we could do it for \$100 per patient and save them 20 to 30 percent of their health-care costs. But Medicare won't recognize us."

Traditional high-priced concierge doctors would be well advised to pay attention. If they turn away too many patients in the middle of a doctor shortage, they may risk a political backlash and increased regulation. Nobody in the profession is more worried about this than its founder, Howard Maron. "Guess who is going to be the victim of the blame game?" he warns. "Doctors who have opted out, doctors who refuse to see patients. Who is that? Us." **E**

"I want to be one of the 1 percent. But...if you want to build a business model that's really far-reaching and world-changing, then it's got to fit everybody"



DATA: STATEHEALTHFACTS; FIGURES ARE WEIGHTED TO REFLECT POPULATION CHARACTERISTICS