
Concierge Medicine: Origins, Growth, Controversies, and Implications to Medicare

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The term concierge medicine* describes a contractual arrangement between a physician and a patient wherein the patient pays the physician an annual fee in exchange for enhanced services and amenities above and beyond insurance-reimbursed services.¹ The impact of concierge medicine on Medicare is not yet apparent, although debate is lively. Very few Americans are currently enrolled in concierge medicine programs. Yet, if concierge programs grow to encompass 20% of national healthcare services in the U.S., the changes for Medicare providers could be profound and practice altering.

Physicians who participate in concierge medicine practices agree to limit their practice size to 50 to 600 patients.^{2,3} Annual fees are used as membership fees or retainer fees. Most concierge practices charge membership fees for payment of services and amenities above and beyond what traditional insurance covers; yet the programs usually require patients to continue carrying health insurance policies to pay for usual services.^{4,5} A small number of concierge practices charge retainer fees to cover all primary medical care needs and enhanced services and amenities. These latter practices typically do not bill insurance for their services,

leaving clients to seek reimbursement for covered services on their own.^{3,6}

Concierge medicine programs offer patients a variety of amenities in tiers (Figure 1). Annual fees vary by practice location, size, and amenities offered. Most plans operating under the membership-fee model annually charge \$500 to \$4000 per person. Plans operating under the retainer fee model charge annual fees up to \$13,000 per person or \$20,000 per family.

Origins and Growth

The first concierge medical practice was established in Seattle in 1996 by two general internists, one of whom (Howard Maron) was the team physician for the National Basketball Association's (NBA's)

Seattle SuperSonics. Maron started MD² (pronounced M D squared) to offer the public the same access to high-level health care enjoyed by professional athletes. Since then, interest in operating concierge medicine practices has spread primarily by word of mouth.⁷ Many practices are being developed under the guidance of concierge medicine companies such as MDVIP, a company based in Boca Raton, Florida, which is reported to be the market leader. Only 12% of physicians who desire to become affiliated with MDVIP are approved. MDVIP assists accepted physicians transition to the new membership arrangement, supplies computer systems, and monitors quality of care in exchange for a portion of the annual membership fee.⁷

Recent estimates place the number of these practices, located mainly in metropolitan areas on the east and west coasts, at 200 to 300,^{2,3,8} caring for more than 100,000 patients.³

Drivers of Concierge Medicine

Both physicians and patients are driving growth in concierge medicine. Physicians cite dissatisfaction

* Synonyms include retainer medicine, boutique medicine, membership medicine, platinum care, VIP care, and luxury primary care.

with managed care's reimbursement contracts,^{8,9} and the desire to lessen heavy patient loads, free the practice from dependency on insurance reimbursement, reduce paperwork, increase preventive care, and preserve personal and family time.^{5,7,8,10,11} Successful concierge medicine practices can also significantly increase a physician's salary as much as 60%.^{5,9,12,13}

Forty percent of patients feel that quality of care of traditional medicine has declined over the past 5 years.¹⁴ Patient dissatisfaction with traditional medicine arises from a perception of impersonal care, long waits for appointments, short duration of appointments, increased use of midlevel practitioners (physician assistants and nurse practitioners), fewer benefits despite increasing premiums, and patient-doctor barriers.^{4,7,8,10}

Effects of Concierge Medicine on Medicare: The Pros and Cons

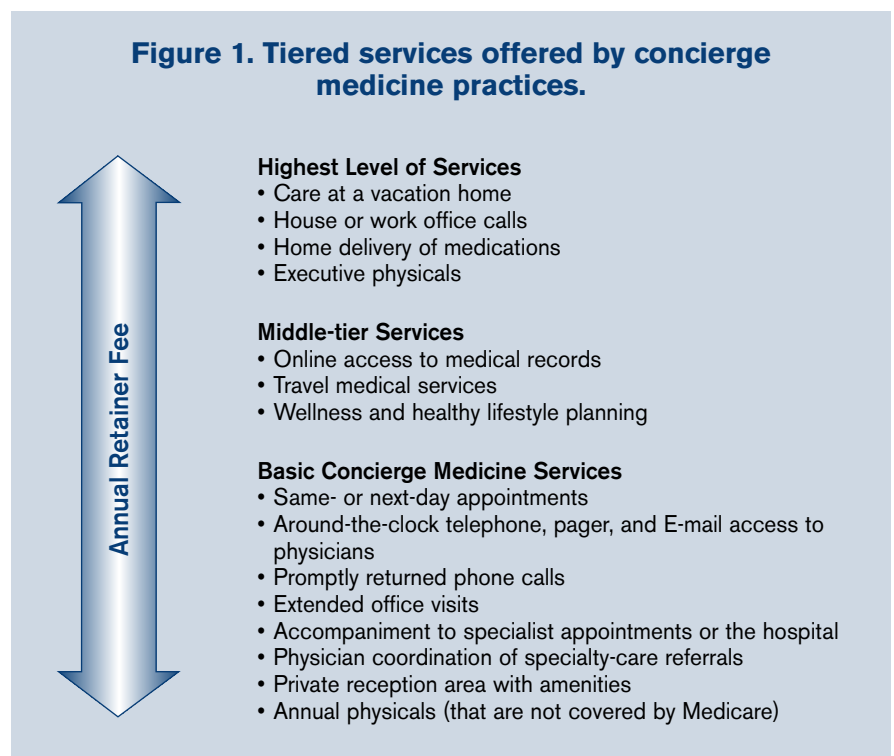
Proponents of concierge medicine argue that health care is not an inalienable right and should be subject to free market forces. Proponents further argue that concierge medicine provides benefits to a variety of stakeholders.⁸ Patient health stands to benefit from concierge medicine because of the increased emphasis on wellness and preventive services, improvements in continuity of care and medical services provided, increased physician familiarity with patients and their unique medical needs, and improved compliance with accepted clinical guidelines.⁸ Around-the-clock physician access may reduce the number of trivial office visits or emergency department

(ED) trips patients need to make.⁵ Proponents also claim that benefits of concierge medicine extend beyond members and their physicians, resulting in healthcare improvements for society in general. Seeing fewer patients and having less paperwork to complete increases the amount of time that physicians have available for charitable community public health or humanitarian work.^{8,10} Hospitals or clinics that operate a concierge practice may benefit financially, thereby having additional income to support care for low-income and uninsured patients. Others have noted that if physicians focus more on their office practices, hospitals may be forced to hire hospitalists and intensivists, possibly improving inpatient care.⁷

Opponents of concierge medicine argue that it will disrupt healthcare delivery and erode

health standards, remove physicians from the general supply,^{2,10,15} and limit the general public's access to physicians. The greatest argument against concierge medicine is that it undermines cross-subsidized care because the system attempts to spread Medicare and Medicaid patients, with their lower reimbursement rates, across all physicians. When physicians (concierge or otherwise) stop accepting Medicaid patients because the reimbursement fees are too low, it forces other physicians to assume a greater share of these patients.^{4,7,10} Both events may greatly limit the number of primary care providers available to disadvantaged patients,^{15,16} conceivably resulting in more patients seeking care from community health clinics or EDs. Further, to account for all patients, the practice sizes of nonconcierge physi-

Figure 1. Tiered services offered by concierge medicine practices.



icians will increase beyond the typical panel of 3000 patients,³ resulting in increased physician workload and, possibly, lowered job satisfaction.

Some attack concierge medicine on principle, believing that the US healthcare system must address the tens of millions of uninsured and underinsured patients before elite-care programs are started.¹⁶ Opponents believe that concierge medicine will result in selective rationing of healthcare services and expand class distinctions by fueling the shift of the best care to the elite,^{3,10,12} neglecting the healthcare needs of those who need it most.

Opponents cite concern for disruption of the physician-patient relationship for those patients who can no longer afford care from a physician who converts to a concierge practice.¹⁰ To be successful, most concierge practices depend on the transfer of some existing patients to the new practice.⁵ Furthermore, a recent study found that one third of concierge practices continued to care for nonconcierge patients, primarily to ensure continuity of care.¹

Last, opponents note that there is little evidence to support the claims that concierge medicine improves patient health or increases preventive services. Some even hypothesize that the restricted practices of concierge medicine may expose those physicians to a lesser spectrum of disorders and limit their expertise.²

Ethical Questions

Ethicists and consumer advocates worry that concierge medicine creates a two-class system of medicine in which willingness and ability to

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pay is necessary to receive high-quality health care.^{10,13} Although most Americans would accept concierge medicine if the added cost were limited to superior amenities and improved convenience, they would object if the quality of health care became dependent on the amount of money an individual can spend.² The potential for concierge medicine to impact continuity and access to care also sparks ethical concerns.^{4,10} In a contributed piece for the *New England Journal of Medicine*,⁴ Brennan notes that advocates believe concierge medicine will not threaten access to care because they think few patients will be interested in such arrangements. (Indeed, a recent study by the US Government Accountability Office (GAO) found that concierge medicine has not, as yet, diminished access to care for Medicare patients.¹) However, Brennan argues that if demand for concierge care were to increase, access to care would be reduced, and concierge medicine would consequently be considered unethical. Situational ethics, he argues, is contrary to professional principles.⁴

The American Medical Association's (AMA) Council on Ethical and Judicial Affairs investigated

concierge medicine and stated there is nothing inherently unethical about entering into a contractual relationship with a patient.⁸ The AMA-developed guidelines for concierge medicine may help concierge physicians avoid these ethical quandaries.¹⁷

Federal Government Takes a Hands-off Approach

Aside from the GAO study examining concierge care and its relationship to Medicare (a requirement of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003) and a ruling from the Department of Health and Human Services (DHHS) that concierge medicine practices are not illegal per se, the federal government has taken a decidedly hands-off approach to concierge medicine. The DHHS's Office of the Inspector General (OIG) has not issued more guidance on concierge medicine because it plays no role in policy making; its role is limited to addressing specific inquiries from physicians.¹

State Governments Attempt a Firm Stand

However, state governments and regulators are taking a greater interest. In 2004, the Commissioner of New York's Department of Health opined that concierge physicians on health maintenance organization (HMO) panels could not charge extra for case management, coordination of specialty referrals, or 24-hour access to their patients because these items are duplications of services already covered by HMO contracts. The Commissioner also stated that offering expedited appointments



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and better waiting rooms to concierge patients was discriminatory.

In comparison, the commissioners of New Jersey's Departments of Health and Senior Services and Banking and Insurance ruled that concierge medicine is inconsistent with state requirements. Network healthcare providers in New Jersey cannot discriminate against any person by charging a fee to access services by a network physician, even if the fee is limited to the provision of services clearly not covered under the terms of the member's health benefits plan. The State prevents health insurers from contracting with concierge physicians⁸ and requires termination of existing concierge-care arrangements between network physicians and patients.

A recent bill in the Washington State Legislature designed to define and regulate aspects of concierge medicine did not pass, and attempts by the state insurance commissioner to regulate retainer-fee concierge programs as an insurance business were unsuccessful as well.³ Numerous bills to outlaw concierge medicine have been presented (unsuccessfully) in the Massachusetts legislature.^{3,16}

Health Insurance Industry Remains Wary

The health insurance industry has been skeptical of concierge medicine mostly because of concern for the bottom line. Easy access may lead to overuse of services, resulting in increased plan expenditures; and fraud is a potential problem.¹³ Some healthcare plans have refused network entry to concierge physicians because the plans re-

strict access.¹⁶ The health insurance industry has countered concierge medicine by developing tiered systems that allow patients to pay higher premiums in exchange for unhindered (or less hindered) access to physicians.¹⁰ While many health plans already offer such programs (frequently called *open network plans*) to entice patients, there are no clear incentives for physicians in this program.

Medical Facilities Straddle the Fence

Some medical centers support concierge medicine, using the income generated to provide care for low-income and uninsured patients. Virginia Mason Medical Center in Seattle has operated a concierge medical service within its facilities since 2000 and used some of the profits from the 5-physician practice to subsidize other programs and indigent care services.⁷ However, most large medical centers have shied away from true concierge care, and some institutions have begun using economic credentialing (denying privileges to physicians in concierge practices) to evaluate physicians. This process uses metrics other than quality of care and professional competence when granting or continuing staff privileges, and allows facilities to deny privileges to physicians who own or

operate concierge practices. However, use of economic credentialing is strongly opposed by the AMA.

Professional Organizations Accept Conditionally

Recognizing that the US health system has a history of offering more convenient and timely health care to certain patients, the AMA's Council on Medical Services determined that concierge practices meet current legal and regulatory requirements and do not adversely affect the quality of patient care or access to care.¹⁰ AMA policies also state that concierge practices cannot deliver, and should not promote the provision of, any higher quality diagnostic and treatment services than provided by traditional practices.¹⁷ The American Osteopathic Association has also studied concierge medicine but has taken no official position on the subject.

In 2001 concierge physicians established their own national organization, the Society for Innovative Medical Practice Design (SIMPD). The SIMPD Web site lists 102 member physicians, although it is unclear how many of these members are practicing concierge medicine (as opposed to other types of practice).

Legal Issues Related to Medicare

Federal and state healthcare laws and contractual agreements with third-party payers create the problem of balance billing. Medicare and Medicaid law and commercial health plan regulations prohibit physicians who accept reimbursement for services covered by the health program from charg-

ing extra fees for those services^{1,8} because the expectation is that the payment provided by the insurer is sufficient to cover the cost of care. As such, physicians must clearly demonstrate that the annual fee for a concierge practice is specifically allocated for services that are not provided under Medicare, Medicaid, and commercial health plans (such as preventive and wellness services, travel medical services, and online access to medical records).

Concierge physicians and practices are required to follow the same federal and state healthcare regulations as traditional providers, including the anti-kickback provisions of the Health Insurance Portability and Accountability Act (HIPAA). Under these provisions, it is illegal to solicit or receive any remuneration that induces the referral of services that are to be paid (in whole or in part) by a federal health program.⁶ While the services typically offered by concierge practices are probably not illegal under these regulations, concierge physicians should carefully identify what the extra services obtained with the annual fee are and make certain that these extra services are not classified as remuneration (such as bribes, kickbacks, or gifts) under HIPAA.⁶

Existing Programs and Experiences to Date

Anecdotal information indicates that physicians and patients participating in concierge medicine have been satisfied with their experiences. Survey data show that physicians who have opened concierge medicine practices have improved job satisfaction⁸ and ap-

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preciate the autonomy concierge medicine provides.¹¹

With the growth in the number of concierge practices, evidence has now begun to emerge suggesting that patients receiving concierge care experience improvements in health outcomes. The MDVIP corporate Web site states that hospitalization rates of MDVIP patients are 62% to 94% lower than nonmember Medicare patients and 36% to 93% lower than the best commercial health plans in 8 states where MDVIP practices exist. Further supporting evidence was obtained from a medical chart review¹⁸ of 1371 MDVIP patients, revealing that MDVIP practices had quality scores 20% to 30% higher than the national average, based on Health Plan Employer Data and Information Set (HEDIS) measures for breast and cervical cancer screenings, diabetes, hypertension, cholesterol maintenance, and mental health.

Developing Challenges in Concierge Medicine

Despite reported high patient satisfaction with concierge medicine and reports of dissatisfaction with

traditional health care, the demand for concierge medicine is less than some physicians expected. While the number of concierge physicians practicing in the United States has grown 5-fold since 2002, most concierge practices have had difficulty reaching their desired membership level. Saturation in certain markets has caused some concierge practices to close, and others have struggled to recruit patients and remain in business.¹⁹

Most believe that concierge care will continue to grow but remain a limited influence on the delivery of health care in this country because physician fears about leaving an established practice and business model (traditional care) to start a new model of services, high upfront costs of starting a new practice, legal uncertainties, difficulties in getting established patients of the previous practice to pay an annual fee, and ethical concerns about treating the “healthy wealthy” instead of the greater patient population may also prevent many physicians from considering concierge medicine.³ The emerging immediate-care kiosk businesses offer an attractive alternative to patients who value immediate care but are hesitant to pay an annual fee.

However, if Medicare programs, commercial health plans, and self-insured employers determine that payment of the annual cost for membership in a concierge practice is worth the health benefits and cost savings generated for specific patient groups (or potentially all patients), then concierge medicine could reach the highest-end estimate for its growth, which calls for up to 40% of all physician visits to

be made under concierge-care arrangements by 2013.⁷

Implications for the Medicare Provider

Most physicians who provide services to Medicare patients can expect concierge medicine to produce few short-term changes in practices. Medicare patients who leave are likely to also have commercial health insurance through their employer's retirement benefit program. It is probable that the high annual fees presently charged for concierge programs will deter most Medicare recipients from entering these arrangements.

The long-term implications of concierge medicine on Medicare providers are less clear. If concierge care remains a small segment of healthcare delivery in this country, the impact on most Medicare providers will be minimal. However, if concierge care grows to represent 20% or more of national healthcare services, then concierge medicine could have a profound and practice-altering effect on Medicare providers. Physicians with few Medicare patients would risk losing a sizeable number of commercially insured patients (with their higher reimbursement rates) to concierge practices. This loss could potentially destroy the cross-subsidization of care⁴ because providers would have to replace commercially insured patients with Medicare and Medicaid patients. The lower reimbursement rates of these plans would require increased workloads to retain the same level of income. Physicians with large Medicare patient panels may be more insulated from these changes, but if basic concierge-care programs with lower annual fees

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were to develop, a sizeable number of middle-class Medicare recipients would possibly migrate to concierge care, requiring a practice to accept more Medicaid patients to make ends meet. In either scenario, an increased workload could breed physician dissatisfaction, increasing the allure of operating a concierge practice. And if commercial insurers or Medicare ever determined that concierge care is a cost-effective program worthy of funding, the potential changes to this country's healthcare delivery system could be beyond our wildest imagination.

Conclusion

If as many as 1 million Americans were to enroll in concierge-medicine programs (a number 10 times greater than the best estimate³), there would still be less than one third of 1% of Americans receiving care through a concierge arrangement. To date, concierge medicine has had little measurable effect on access to care and continuity of care,¹ two of the main arguments used against the practice. But, this absence of any measurable effect speaks only to the small size of concierge medicine in this country, and only time will tell if

concierge-care programs will become successful and popular enough to affect access to care and disrupt the physician-patient relationship. *MPM*

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