



# Improving and Expanding Direct Primary Care

## HERITAGE ACTION SENTINEL BRIEF

**Background:** With the passage of Obamacare in 2010, U.S. health care policy went from bad to worse. Instead of improving the relationship between physicians and their patients, Obamacare empowered federal bureaucrats to standardize health insurance, mandated coverage, raised taxes, and is drowning doctors with more burdensome paperwork and regulation.

In response to these government-created problems, doctors and patients are turning to innovative care models such as direct primary care. Direct primary care allows patients to pay doctors directly, outside of traditional insurance providers, typically in the form of a monthly fee. The number of physicians offering direct primary care has [grown](#) from 756 in 2010 to 4,400 by 2012.

**Benefits:** By dramatically reducing practice overhead costs associated with third-party reimbursement, direct primary care allows physicians to spend more time with each patient, but also to charge less while taking home more. This is a win-win for both the doctor and the patient. Indeed, [evidence](#) shows direct primary care provides positive health outcomes and reduces overall healthcare spending.

**Barriers:** The main policy issue is whether direct primary care arrangements should be treated as payments for “medical care” or—because the physician bears some financial risk—as payments for “health insurance.” Wherever existing government policies have the (even inadvertent) effect of classifying direct primary care arrangements as health insurance they create regulatory barriers to physicians and patients adopting such arrangements.

Additionally, private contracting prohibitions make it extremely difficult for patients receiving Medicare from also participating in direct primary care. Section 4507 of the Balanced Budget Act of 1997 forces physicians to drop out of Medicare for [two years](#) if they accept direct payment from Medicare beneficiaries.

**Solutions:** Policymakers at both the federal and state level need to update existing laws and regulations so that they don’t treat direct primary care arrangements as insurance but rather as a different way of paying for medical services. With respect to insurance, federal and state policymakers should also ensure that there are no regulatory obstacles to health insurers offering plans that provide coverage for other benefits or services (such as hospitalization) packaged with direct primary care payment arrangements.

Congress should also pass legislation allowing Medicare patients to pay doctors directly outside of the traditional Medicare program without doctors being punished for accepting those payments. Representative Tom Price’s (R-GA) and Senator Lisa Murkowski’s (R-AK) Medicare Patient Empowerment Act of 2015 ([H.R. 1650](#) and [S. 1849](#)) would solve this problem and help increase access to care for seniors while preserving patient privacy.

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Federal and state regulations should not prevent patients from obtaining the best care that’s right for them and their families. Removing government barriers that restrict the ability of patients to participate in direct primary care arrangements will expand consumer choice and help restore the doctor-patient relationship.