



Snapshot

Physician-Employer Engagement: “Direct-to-Employer” Arrangements

Physicians looking to diversify their practices may find it beneficial to engage directly with local employers to provide care to their employees, retirees and dependents. More and more employers are now self-insuring their health benefits as the overall cost of health care continues to rise and they seek to improve health outcomes among their employees. As such, innovative employers are increasingly partnering directly with physicians as they are no longer content with relying solely on third-party administrators to manage health care costs and delivery for their employees. These Direct-to-Employer arrangements are incredibly varied and, in many cases, novel and evolving.

Physicians interested in these arrangements should consider their strategic implications and familiarize themselves with the unique terms and conditions of each arrangement. The AMA has developed two other resources to help physicians navigate these opportunities and, if desirable, negotiate terms that reflect the practice’s goals and preferences: a [Model Checklist](#) and a [Case Study, Custom Network and Contracting Terms](#) resource.

Among the important issues to consider when evaluating Direct-to-Employer arrangements are:

Assessment of Practice Capabilities

- **Employer Rationale for a Direct-to-Employer Arrangement.** From the Employer’s perspective, one of the main benefits of Direct-to-Employer arrangements is the opportunity to have more say over health plan design than may be possible through a third-party administrator. An

employer may have specific goals in mind for the arrangement, such as significant improvement in employee health outcomes and/or the overall quality of their experience. Physicians should consider the employer’s goals, the time frame required to achieve them, and the resources each party will bring to the table.

For some employers, the goal of a Direct-to-Employer arrangement might be to increase employee wellness and productivity while also reducing loss of employee work hours due to illness and/or injuries, which can have a significant impact on business. Such an employer might be interested in partnering directly with physicians to staff an on-site primary care clinic. From the employee’s perspective, ease of access to medical appointments can serve as a welcomed and additional benefit and lead to greater employee experience and overall satisfaction.

Most Direct-to-Employer arrangements are also geared towards addressing concerns about the costs of medical care. Many employer-sponsored plans have insisted that their third-party administrator use custom networks as an effective way of reducing costs without materially effecting access to care. At a high level, Direct-to-Employer arrangements are simply a continuation of this network trend, which focuses on bringing the best care to employees at the right place, right time and right cost. Some employers are seeking sophisticated Direct-to-Employer models to reduce the role of the third-party administrator.

- **Advantages of Direct-to-Employer Arrangements.** Direct-to-Employer arrangements have the potential to offer physicians significant financial and non-financial benefits. The most obvious benefit is the potential for greater access to patients and perhaps a more predictable revenue stream. Practices may benefit from some of the economies of scale associated with a larger patient base. Depending on the payment model, less time and effort may be expended to directly bill an employer for medical services, compared to billing an insurer.

Direct-to-Employer arrangements can offer non-financial advantages as well. Some physicians may find that the additional revenue from Direct-to-Employer arrangements gives them the ability to take on a smaller patient panel and, consequently, spend more time with each patient. In addition, physicians may discover that they have greater flexibility to innovate and to provide a wider range of services (e.g., health coaches; patient navigators). These features, when present, can result in increased morale and professional satisfaction.

Physicians should evaluate the advantages of Direct-to-Employer arrangements on a case-by-case basis since each arrangement is different.

- **Varieties of Direct-to-Employer Arrangements.** Direct-to-Employer arrangements can take many different forms since they are often developed with individual employer goals in mind. Physicians should understand the variety of Direct-to-Employer arrangements to determine whether they are able and willing to provide the necessary services. Some of the more common Direct-to-Employer arrangements include:

Single Service Arrangements. The simplest type of Direct-to-Employer arrangement, single service arrangements typically cover only a single medical service, usually furnished by non-physician health care professionals, and are usually billed on a fee-for-service basis. The most common single service arrangement covers vaccine administration.

Wellness Program Assistance Arrangements. Like single service arrangements, wellness program assistance arrangements cover a single or a small set of consultative or administrative services. These arrangements are intended to enhance the employer’s existing wellness program by, for

example, engaging physicians or non-physician health care professionals to perform health assessments, or provide employee education or coaching. Psychiatrists and other mental health professionals may have unique opportunities to participate since mental health support is a common component of wellness programs.

On-site clinics. These arrangements require physicians to operate a clinic for a specified time at a location convenient for the employer. Physicians and non-physician health care professionals furnish standard medical services exclusively to the employer’s employees during the contracted period of time. This type of Direct-to-Employer arrangement is often preferred when the employer’s health benefit plan is paired with financial wellness incentives which require a physician service to obtain the incentive (e.g. annual wellness check required for the employee to realize an annual premium discount).

One variation of this type of Direct-to-Employer arrangement is the use of on-site telemedicine clinics physically staffed by non-physician health care professionals. Employers with employees in multiple or remote locations may prefer a telemedicine arrangement to ensure uniform access for all employees.

Retainer Arrangements. Sometimes called “Concierge” or “Personalized Medicine” arrangements, retainer arrangements offer enhanced access to physicians. These may not cover the actual provision of medical services. Retainer arrangements may include features such as guaranteed appointments within 1 business day, 24/7 telephone access to a physician, or guaranteed house calls.

Bundled-Payment Arrangements. The same kinds of bundled payment initiatives in Medicare also exist in the Direct-to-Employer environment. Physicians able and willing to package separate medical services can offer a bundle of services at a fixed rate to employers. For example, orthopedic surgeons can offer a knee replacement bundle that includes pre-surgical evaluation, the physician’s professional surgical services, and post-acute follow up care.