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AT YOUR SERVICE: CONCIERGE MEDICINE PROGRAMS

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Faced with physician burnout, patient access challenges, and declining reimbursement, some health systems are pursuing primary care concierge medicine programs. Patients pay a monthly or annual subscription fee in exchange for enhanced access to care, with less wait time and more face time with their physician. With this new revenue stream, physicians can reduce their panel size and spend more time with each patient. In many cases, this care model relieves the pressures that lead to physician burnout and improves patient satisfaction and outcomes.

For health systems considering a primary care concierge medicine program, this article addresses the calculation of the subscription fee, appropriate compensation for physicians in a concierge practice, and other key considerations in launching a program.

“THE CONCIERGE MEDICINE MODEL HELPS COMBAT PHYSICIAN BURNOUT, MEETS PATIENTS’ DEMAND FOR GREATER ACCESS TO CARE, AND PROVIDES GREATER COLLECTIONS STABILITY.”



What is Concierge Medicine and How Does it Work?

Intent on spending more time with patients to better meet their needs, physicians began creating concierge medicine practices in the 1990s.[1] The concierge medicine market is growing, with an expected compound annual growth rate of approximately 10% between 2023 and 2033.[2] Industry experts estimate there are between 5,000 and 7,000 concierge medicine practices in the United States.[3]

Physicians in a concierge medicine practice have significantly smaller patient panels than those practicing in the traditional model. To make up for the lost revenue, the practice charges patients a subscription fee. In exchange, patients receive enhanced access to care including shorter appointment wait times (same day access is common) and longer office visits. In addition to the annual subscription fee, concierge medicine practices continue to bill and collect from third-party payers and charge patients for their co-insurance obligations in the same manner as traditional practices.

Many concierge practices do not serve Medicare beneficiaries, given fraud and abuse concerns. Under their assignment agreements, Medicare-participating providers agree not to charge beneficiaries more than applicable co-payments and deductibles for Medicare-covered services. The Office of Inspector General takes the position that many of the benefits concierge medicine practices offer their patients, such as extra time spent on patient care, are Medicare-covered services for which beneficiaries cannot be charged additional amounts.[4],[5]

[1] "4 Things You Didn't Know About Concierge Medicine History," <<https://www.dedication-health.com/concierge-medicine-history/#:~:text=Troubled%20by%20the%20lack%20of,Scott%20Hall>>, accessed January 8, 2025.

[2] "United States Concierge Medicine Market Outlook," <<https://www.futuremarketinsights.com/reports/united-states-concierge-medicine-market>>, accessed January 8, 2025.

[3] "Concierge Medicine Today's Industry Insights, 2024 Annual Report," <<https://www.concierge-medicine-today.net/insights>>, accessed March 25, 2024.

[4] "OIG Alerts Physicians About Added Charges for Covered Services (March 31, 2004)", <<https://oig.hhs.gov/documents/other-guidance/911/FA033104AssignViolationI.pdf>>, accessed January 8, 2025.

[5] Direct primary care, where third party payers is not billed, are further described below.

Still, many hospitals and health systems recently have launched concierge medicine programs, responding to physician burnout and patient demand, as well as competition from private equity-backed concierge practices in their markets.[6] While there are a myriad of issues to consider in evaluating a health system-based concierge medicine practice (discussed in greater detail in the final section of this article), two key factors in the financial success of such a program are the subscription fee and the compensation model for the practice's physicians.

How is the Subscription Fee Established?

A subscription fee is established using a “top down” or “bottom up” income statement approach. In most cases, both approaches are considered to determine the subscription fee. A “top down” approach consists of estimating payer collections and establishing the subscription fee and patient panel size first (i.e., practice revenue), and then ensuring all expenses (including physician compensation and a reasonable return on investment) are supported by anticipated practice revenue. A “bottom up” approach consists of establishing the reasonable return on investment and expenses (including physician compensation) first, then estimating payer collections, and establishing the subscription fee accordingly. Both approaches require analysis of each income statement element.

Market Assessment

Before initiating the income statement approach, begin by conducting a market assessment. Understanding the market in which the concierge medicine practice will be placed is paramount to establishing the basis for a competitive subscription fee. Market data surrounding subscription fees varies widely depending on the level of physician access and type of services provided. One study indicates the monthly subscription fee ranges from \$200 to \$30,000 per month.[7] The authors' experience and research suggests as the popularity of concierge medicine continues to rise, some subscription fees are becoming more affordable, with the average ranging from \$2,500 to \$3,500 annually.

[6] “Hospitals Cash In on a Private Equity-Backed Trend: Concierge Physician Care (April 1, 2024)”, <<https://kffhealthnews.org/news/article/concierge-medicine-physician-practices-hospitals-private-equity/>>, accessed January 8, 2025.

[7] “Many Doctors are Switching to Concierge Medicine, Exacerbating Physician Shortages,” <<https://www.scientificamerican.com/article/many-doctors-are-switching-to-concierge-medicine-exacerbating-physician-shortages/>>, accessed January 8, 2025. A per month subscription fee of \$30,000 would provide extensive access, condition prevention, and healthcare planning for a business executive or high-profile leader.

Questions to be answered in the market assessment include:

- Where will the concierge medicine practice be physically located? Will the location allow the ease of access and coordination of care demanded by practice patients? Will the practice be co-located with traditional primary care clinics or its own standalone entity?
- What are the demographics of the market? Does the market contain a population likely to use or need concierge medicine?
- Who is providing concierge medicine in the market now?
- What are local market subscription fees? If not available, what are like-market subscription fees? As we will demonstrate, local market dynamics (e.g., overhead costs) will directly impact the subscription fee.
- Will third party payers be billed for services?
- Do market dynamics allow for direct primary care (i.e., no third party payer reimbursement would be required)?

Established concierge medicine companies like MDVIP, PartnerMD, Crossover Health, and Signature MD provide an administrative platform for individual physicians, health systems, and others to grow their concierge medicine practices. These organizations provide a wealth of information regarding historical market growth, market share, and market outlook.

Services and Access

Next, determine the services to be offered and level of access. A concierge medicine physician will typically provide everything a traditional primary care physician does, including providing annual exams, managing chronic conditions, and administering imaging and lab tests. While specific to each practice, a concierge medicine physician will also likely provide more preventive tests, spend more time in patient education, and may provide nutritional and weight loss counseling. In addition to extended care, a concierge medicine physician will provide extended access. As previously mentioned, many concierge medicine physicians are available to patients 24 hours per day, 7 days per week, with many of these hours provided via telemedicine. As outlined below, access and afterhours call may be a shared responsibility with an advanced practice clinician supporting the practice.

Target Panel Size

After the market has been assessed and the level of and access to services has been determined, the target patient panel size for the physician should be established. A traditional primary care patient panel typically does not exceed 4,000 patients. A typical concierge medicine patient panel size does not exceed 600.[8] The authors' experience suggests in smaller boutique or executive health practices, the panel size is often lower at approximately 200 lives or 50 families. Low patient panel sizes allow more frequent visits and more time per visit with each patient. Knowing the target panel size and level of patient-to-physician access will provide a strong foundation for estimating practice revenue.

Overhead Expenses

Once the revenue side of the practice income statement has been determined, practice expenses should be considered, including what is a reasonable rate of return on investment. Local market dynamics will drive estimates for overhead expenses including support staff wages, space, malpractice insurance, business and other liability insurance, supplies, and utilities. While some practice expenses will be similar to other primary care practices, some expenses will require special consideration.

Specifically, concierge medicine practice expenses for billing and collecting may be vastly different than a traditional primary care practice. In a direct primary care model, third party payers are not billed, which eliminates a large billing and collections expense. In a more traditional concierge medicine model, third party payers are billed for services, but the volume of such billing will be lower due to the smaller patient panel size and potentially limited to commercial payers. Further, state laws will determine whether care agreements are required between the patient and the physician. If such care agreements are required, the administration of these agreements may be costly to the concierge medicine practice.

Another expense which may vary widely is the expense related to support staff and advanced practice providers (APPs). While physician face time is a key to a successful concierge medicine practice, like in a traditional primary care model, an APP will help extend the physician. Further, it would be unrealistic to expect a concierge medicine physician to work 24 hours a day, 365 days a year. Doing so would negate one of the primary benefits of the model. An APP is a highly effective way to provide a means for the physician to manage time away from the practice.

[8] "What Is Concierge Medicine And Is It Worth The Price Tag?," <<https://www.forbes.com/health/healthy-aging/concierge-medicine/>>, accessed January 8, 2025.

As is always the case in building a solid income statement forecast, an organization should consider and anticipate what is required operationally to support a reasonable rate of return. In hospital-owned concierge medicine practices, it may be more complicated from a commercial reasonableness standpoint. For example, it may be a challenge to support the business case of a concierge medicine practice if the practice is anticipated to operate at a loss or with a lower than acceptable rate of return. Our research of publicly available data suggests a wide variation in how rates of return are reported within the concierge medicine industry and rates of return are highly dependent upon how the practice is structured (i.e., a subscription model vs. a direct primary care model, physician access, practice location, etc.).

Using this approach, the results of your analysis may present as follows, including an estimate of the annual subscription fee at various levels.

Description	Income Statement Forecast					Formula
Annual Subscription fee	\$1,200	\$1,500	\$1,800	\$2,100	\$2,400	A
Subscription fee - Panel size is 600	\$720,000	\$900,000	\$1,080,000	\$1,260,000	\$1,440,000	B=A*600
Payer collections	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	C
Total Revenue	\$1,080,000	\$1,260,000	\$1,440,000	\$1,620,000	\$1,800,000	D=B+C
Physician compensation and benefits	\$425,000	\$450,000	\$475,000	\$500,000	\$525,000	E
Overhead expenses, including malpractice insurance	\$432,000	\$504,000	\$576,000	\$648,000	\$720,000	F
Total Expenses	\$857,000	\$954,000	\$1,051,000	\$1,148,000	\$1,245,000	G=E+F
Forecasted Practice Net Income	\$223,000	\$306,000	\$389,000	\$472,000	\$555,000	H=D-G
This analysis is for illustrative purposes only. Amounts contained herein are not guaranteed. Physician compensation is estimated and this example should not be relied upon as a determination of fair market value.						

In the “top down” and “bottom up” approaches, an organization would refine the forecast specific to ensure that:

- The annual subscription fee is set at a level the market will tolerate.
- The level of physician compensation is fair market value and ultimately agreed to as a result of an arms-length negotiation.[9]
- The level of net income or return on investment is acceptable.
- The arrangement is commercially reasonable.[10] If the concierge medicine practice is operating at a loss after a reasonable start up period or perhaps in consideration of capital costs, commercial reasonableness of the arrangement may be challenging to prove. Extra care should be taken to ensure documentation supporting the business purpose of the arrangement is sound.

[9] The Physician Self-Referral Law, commonly referred to as the Stark law, (42 C.F.R. § 411.351), prohibits physicians from referring patients to receive "designated health services" payable by Medicare or Medicaid from entities with which the physician or an immediate family member has a financial relationship, unless an exception applies. It defines fair market value as “the value in an arm’s-length transaction, consistent with the general market value of the subject transaction.”

- The level of compensation should align with the organization's compensation philosophies and risk tolerance level.

How is Physician Compensation Determined?

Compared to other physician specialties, published compensation data for concierge medicine physicians is low but increasing. Of the “big four” physician compensation surveys published by the Medical Group Management Association (MGMA), American Medical Group Association (AMGA), SullivanCotter and Associates, Inc. (SullivanCotter), and ECG, all but MGMA reported survey data specific to concierge medicine physicians. Although the published data lacks a significant number of data points, the data points and metrics reported are growing, which aligns with the market growth statistics mentioned previously in this article. Reporting for the specialty within two of these surveys began with their 2021 surveys, which are based on 2020 data, and reporting for the third survey began with its 2024 survey, which is based on 2023 data. Historically, none of the surveys reported the traditional elements reported for other physician specialties such as work relative value units (wRVUs), professional collections, or encounters. In the 2024 surveys, however, two of the surveys report wRVU statistics, albeit a sample size of very few data points (i.e., approximately 10-20). Nevertheless, matching of total cash compensation to productivity as is often applicable in determining compensation for other specialty types is less applicable for concierge medicine, where productivity is not measured by wRVUs, but rather by how well the patient panel is served.

Additional information may be available publicly from job boards (e.g., LinkedIn, Indeed, Concierge Medicine Today (www.concierge medicinetoday.net)), ProPublica (www.propublica.org), state compensation transparency websites, and the American College of Private Physicians (www.acppmed.com). Publicly available compensation data varies widely and at the time of this article, ranges from approximately \$300,000 to \$750,000 per year.

In the absence of reliable or in-depth market data, the best approach to determining fair market value compensation for a concierge medicine physician is the “top down” and “bottom up” income statement approach described above, including the outcome of the market analysis and arms-length negotiation with the physician.

[10] The Stark law (42 C.F.R. § 411.351) states that commercial reasonableness means “that the particular arrangement furthers a legitimate business purpose of the parties to the arrangement and is sensible, considering the characteristics of the parties, including their size, type, scope, and specialty. An arrangement may be commercially reasonable even if it does not result in profit for one or more of the parties.”

How Should Physician Compensation be Structured?

Currently, the most common physician compensation structure is a productivity-based wRVU model. By its nature, a wRVU based productivity model does not align with a concierge medicine practice, where productivity is not measured by wRVUs. In this case, there are three compensation structures which may align with a concierge medicine practice – a base salary model, a base salary with a fixed incentive model, and a base salary with a variable incentive model.

The simplest physician compensation model for concierge medicine is a base salary model. As its name implies, this model consists of a base salary for the concierge medicine physician and nothing more. The base salary is determined using the analyses and methodologies described previously. Administratively, the base salary model can be designed such that the base salary updates annually based on practice performance. Any such methodology would need to be set in advance and defined within the physician's contractual agreement. For example, the base salary could be determined annually with increases based on a percentage of new subscription revenue.

Alternatives to the base salary model include a base salary plus fixed incentive model or a base salary plus variable incentive model. In each of these models, an incentive is earned based upon meeting certain predetermined metrics. In the fixed incentive model, the amount of the incentive is fixed in total and per metric. For example, the model may define three metrics, each worth a maximum amount of \$10,000. In the variable incentive model, the amount of the incentive is variable by metric and in total. For example, the model may define three metrics, each worth 1% of a pre-established threshold or amount (e.g., subscription revenue).

The performance metrics themselves may include, but are not limited to –

- A patient retention rate metric, where the maintenance of a certain patient panel size is incentivized.
- A patient satisfaction score metric, ensuring the patients within the panel are receiving high-quality care.
- An average response time to patient inquiries metric, ensuring the patients are receiving the high-touch care required by a concierge medicine model.
- A number of new patient referrals from existing patients metric, ensuring growth of the patient panel (where desired) and high patient satisfaction.

Is Concierge Medicine an Effective Strategy for Your Organization?

From a macro level, many see concierge medicine as a solution to the physician shortage problem.[11] The concierge medicine model allows the physician to practice in a way that may alleviate or eliminate burnout. A smaller patient panel size for a primary care physician is better than no patient panel size. According to the Medscape Physician Burnout & Depression Report 2024, approximately 51% of family medicine physicians felt burned out.[12] The same report suggested the top two causes of burnout were the burden of tasks like charting and “paperwork” and excessive hours at work.[13] Burnout may be minimized by allowing the physician more time with each patient, which creates a deeper physician-patient relationship and provides an opportunity for personally-satisfying longitudinal care. Concierge Medicine Today reports that 95% of physicians who made a change from traditional primary care to concierge care were highly satisfied with the change.[14]

As previously mentioned, from a physician employer perspective, the concierge medicine model reduces stress through predictability of practice operations, where practice revenue is more predictable due to the nature of subscription fees and lower billing and collection burden. The concierge medicine model serves to protect the investment in the physician employee and the satisfaction of the patient.

From a patient’s perspective, concierge medicine provides timely physician access and more personalized care due to the additional time the physician can spend with the patient. The subscription fee may allow the patient to receive certain preventive services or tests not otherwise covered by traditional insurance. Time spent with the physician creates an opportunity for better longitudinal care, and the patient feels a greater trust with the physician. The downside to the patient is, of course, cost. While some will consider the subscription fee a bargain to receive greater access to care, others will find the benefits not sufficient to justify the cost.

[11] “The Physician Shortage: Why Concierge Medicine May be the Solution, Not the Problem,” <<https://www.medicaleconomics.com/view/the-physician-shortage-why-concierge-medicine-may-be-the-solution-not-the-problem>>, accessed January 8, 2025.

[12] Medscape Physician Burnout & Depression Report 2024: ‘We Have Much Work to Do’,” <<https://www.medscape.com/slideshow/2024-lifestyle-burnout-6016865#3>>, accessed January 8, 2025

[13] Ibid.

[14] “Concierge Medicine Today’s Industry Insights, 2024 Annual Report,” <<https://www.concierge-medicine-today.net/insights>>, accessed January 8, 2025

On the other hand, many see concierge medicine as another way of limiting access to primary care physicians for patients who desperately need it. Some have even questioned if concierge medicine is ethical.[15] The ethics argument stems from how concierge medicine works. The subscription fee extends primary care physician access for the “haves” – those who can afford it. Further, even in geographies where the subscription fee is becoming more affordable, low patient panel sizes per physician further limit access in an environment where more access is needed, highlighting a potential healthcare equity concern. The access issue is deeper than simply hours in a day or days of the week the physician is available. The access issue includes geography and distance. As an example, concierge medicine is not likely to be available in most rural areas.

The decision to provide a concierge medicine program is complex. A health system must analyze the advantages, disadvantages, and the ability of an organization to operate a concierge medicine program successfully, including answering the following questions:

- Does the provision of a concierge medicine program align with the organization’s mission and strategy? Does concierge medicine “fit” culturally with the organization?
- What is the organization’s specific strategy surrounding primary care? Is primary care a desired area of growth and alignment?
- Is physician burnout a concern for the organization? What are the organization’s recruitment and retention rates for primary care physicians?
- Will a concierge medicine program extend access to the community the organization serves? Will the program reach a patient population not currently served or served well?
- Are market dynamics favorable? Such market dynamics would include geography, patient demographics, and the presence of other concierge medicine physicians in the market.
- Is the organization capable of administering a concierge medicine program well? Are there gaps in concierge medicine program administrative knowledge that need to be filled?
- Are there administrative advantages to capitalize upon by building a concierge medicine program? Will the program bill and collect from third party payers or utilize a direct primary care model?
- Does the financial forecast indicate long-term feasibility for a concierge medicine program? Is the rate of return acceptable for the level of risk?

[15] “Question: Is Concierge Medicine Ethical?,”<

Conclusion

Undoubtedly, concierge medicine provides an attractive alternative to a traditional operating model for primary care. The concierge medicine model helps combat physician burnout, meets patients' demand for greater access to care, and provides greater collections stability. Each of these elements alone presents a daunting daily challenge for physician practice operators. The opportunity to lessen these challenges via the concierge medicine approach is compelling. Using a concierge medicine program to create and extend physician access without creating unintended access issues or, at worst, patient abandonment will be key to a successful program. This balance is possible by exhibiting the organization's mission, learning from the practice of concierge medicine, and striving to extend its elements of patient access and satisfaction further across the organization.

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