WISCONSIN LEGISLATIVE COUNCIL
STUDY COMMITTEE MEMORANDUM

TO: MEMBERS OF THE STUDY COMMITTEE ON DIRECT PRIMARY CARE

FROM: Brian Larson, Senior Staff Attorney, and Andrea Brauer, Staff Attorney

RE: Selected Overview of Direct Primary Care Pilots in Other States

DATE: August 21, 2018

For your consideration, this memorandum provides a selected overview of direct primary care (DPC) pilot programs in other states. The discussion includes two examples of pilots involving the use of DPC in state Medicaid programs, and two examples of pilots involving the use of DPC in state employee health plans.

MEDICAID PILOTS

Michigan

The State of Michigan has enacted legislation directing its state Department of Health and Human Services (MDHHS) to create a DPC pilot in Michigan's Medicaid program. Participation in the pilot is open to all Medicaid recipients. However, enrollment is capped at 400 individuals in each of three categories, so that participation effectively is limited to no more than 1,200 individuals in total. [1]

State:	Michigan
Program:	Medicaid Pilot
Delivery:	DPC paired with MCO
Enrollment:	1,200 individuals
Timeframe:	August 1, 2018, to September 30, 2019 (unexpended funds to September 30, 2020)

MDHHS has indicated that it will implement the pilot without a new waiver, through its existing contracts with managed-care organizations (MCOs) in the Medicaid

[1] 2017 Mich. Pub. Act 158. The three categories of participants in Michigan's DPC pilot are childless adults, children ages 0 to 18 years, and parents.

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program.[2] Under its existing waiver authority, MDHHS will establish an alternative payment mechanism to allow payments to MCOs for contracted services from eligible DPC providers. Michigan's pilot was initially set to begin in 2017. MDHHS moved the implementation date to August 1, 2018, to provide time to establish the alternative payment mechanism.[3]

Under Michigan's pilot, the DPC enrollment fee may not exceed a weighted average of $60 per month across all eligibility categories. Services must include access to telemedicine and same or next business day appointments. DPC providers must limit referrals of participants for non-primary care services to practitioners within the MCO's network. For pharmacy services not covered by the DPC agreement, DPC providers must only authorize the use of pharmaceuticals covered under the MCO's formulary management system. DPC providers must also agree to follow any prior authorization requirements mandated by the MCO.

Michigan's legislation allocates $864,000 in state funding for implementation of the pilot; however, if funds remain at the end of the year, they will not lapse and will be available for the same work project in future years.[4] This leaves open the possibility the pilot could surpass the initial 12-month period. Under the legislation, the "tentative completion date" of the work project is September 30, 2020.

On a quarterly basis, MDHHS must file a report with the Legislature and the State Budget Office with updated information on the status of the pilot. The report is required to include cost and claims data collected under the pilot, along with prior-year data for comparison and an estimate of any cost savings.

Michigan's law clarifies that MCOs will not be liable for any increased costs resulting from the implementation of the pilot. MDHHS is authorized to purchase a stop-loss insurance policy to mitigate the potential impact if the costs of implementing the pilot exceed those that would have been incurred without it; however, the cost of a stop-loss plan shall not be used in the assessment of the success of the pilot.

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[2] The legislation required MDHHS to apply to the Centers for Medicare and Medicaid Services (CMS) for a waiver to implement the pilot program. If approved by CMS, the pilot was required to be implemented on a larger scale with the participation of up to 2,400 individuals. Instead, the pilot is being implemented through the provisions that apply if CMS does not approve a waiver, calling for a smaller scale version of the pilot, with participation of up to 1,200 individuals.

[3] MDHHS, "Implementation of the Direct Primary Care Pilot Program--Quarterly Report 3" (FY2018 Appropriation Act--Public Act 158 of 2017), dated July 20, 2018.

[4] $864,000 is the total amount MDHHS would expend on DPC enrollment fees under the pilot, with participation of 1,200 individuals for a 12-month period at $60 per month.

Washington

State:	Washington
Program:	Medicaid
Delivery:	DPS providers paired with MCO
Enrollment:	Up to 15,000
Timeframe:	2014 to 2017

While the State of Washington has not enacted legislation to specifically direct the creation of a DPC Medicaid pilot program, the experiences of Washington's most established DPC provider, Qliance, are notable with regard to testing the use of DPC in Medicaid. In 2007, Washington enacted legislation regulating DPC, which clarified that it is not considered insurance, among other provisions. Qliance subsequently entered a monthly fee agreement with an MCO in Washington's Medicaid program, which allowed Qliance to participate in the network established by the MCO under its Medicaid managed-care contract.[5] Reportedly, at one time, Qliance served approximately 15,000 Medicaid patients through these agreements.[6] Qliance closed its clinic operations as of June 15, 2017. The company's co-founder, Dr. Erika Bliss, has pointed to a lack of long-term funding for the growing business as one of the main reasons for its closure.[7]

Qliance's experience in Washington represents an example of at least one way in which DPC has been tested within a state's Medicaid program without legislation formally directing creation of a pilot.

PILOTS IN STATE EMPLOYEE HEALTH PLANS

Nebraska

State:	Nebraska
Program:	State Health Plan
Delivery:	DPC paired with high- and low-deductible options
Enrollment:	To be determined
Timeframe:	July 1, 2019, to June 30, 2022

The State of Nebraska has enacted legislation directing its Department of Administrative Services (NDAS) to create a DPC pilot program in Nebraska's health plan for state employees and their dependents.[8] The pilot will be opened to state health plan participants on a first-come, first-served basis, depending on the availability of providers and limitations on enrollees served per participating provider.

At least two different wraparound health plan options must be made available under the pilot, in combination with a DPC arrangement. The statute specifies that the wraparound plans must include one high-deductible option and one low-

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[5] "*Direct Primary Care Journal*, "DPC Leadership Response To Washington State OIC Report: 'Outlook for DPC is bright throughout U.S.,' December 19, 2014.

[6] *Healthcare Finance*, "With cost data, entrepreneurs look to scale 'unlimited' primary care," Jan. 20, 2015, available at: https://www.healthcarefinancenews.com/news/cost-data-entrepreneurs-look-scale-unlimited-primary-care#.VT75NvnF_WQ.

[7] *Medical Economics*, "Is the DPC movement at risk of failing?" May 31, 2017, available at: http://www.medicaleconomics.com/medical-economics/news/dpc-movement-risk-failing.

[8] "Direct Primary Care Pilot Program Act," Neb. Rev. Stat. ss. 84-1618 to 84-1627.

deductible option for health care coverage outside of primary care. Wellness incentives may also be included. The statute authorizes NDAS to promulgate administrative rules as necessary to implement the pilot. The pilot will run from July 1, 2019 to June 30, 2022.

Nebraska's pilot imposes certain criteria related to care coordination and care monitoring, which a DPC provider must meet in order to qualify for participation in the pilot. These include requirements related to coordination of care across all settings, oversight of transitions between settings, and steps to minimize gaps in care. Also, a DPC provider must continuously monitor care quality in accordance with a standardized set of care quality and patient satisfaction measurements, including an assessment of patient engagement, prevention measurement, and chronic disease management.

During the timeframe specified in the statute, Nebraska's health plan for state employees and their dependents must include a DPC health plan option. The legislation requires any entity that contracts with NDAS to offer health plans to state employees to cooperate with the implementation of the pilot and share real-time claims data with participating providers. On an annual basis, beginning in 2021, NDAS must file a report with the Legislature and the Governor evaluating the clinical and financial performance of the pilot. The legislation authorizes NDAS to promulgate administrative rules as necessary to implement the pilot.

New Jersey

New Jersey has created a pilot program to offer DPC medical homes as a part of its state employee health plan. Effective April 1, 2016, this pilot was created by the state administrative agency at its own option, and was not required by state legislation. It is initially planned that the pilot will operate for three years, and will ultimately be evaluated by a third party.[9]

State:	New Jersey
Program:	State Health Plan
Delivery:	DPC providers paired with HMO
Enrollment:	To be determined
Timeframe:	April 1, 2016 to March 31, 2019

Currently, state employees who receive benefits through the New Jersey State Health Benefits Program or School Employees' Health Benefits Program may choose to join a DPC practice to receive their primary care services, at no additional cost. An employee may participate in the pilot by choosing a primary care provider who is a DPC provider affiliated with one of two participating provider entities, R-Health and Paladina Health. These DPC practices are then included as part of existing health plans offered by Horizon Blue Cross Blue Shield or Aetna.[10]

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[9] *Direct Primary Care Journal*, "NEW JERSEY Pilot Project – Direct Primary Care Medical Homes (Voluntary), Oct. 1, 2015, available at: https://directprimarycare.com/2015/10/11/new-jersey-pilot-project-direct-primary-care-medical-homes-voluntary/; and *Direct Primary Care Journal*, "NEW JERSEY (UPDATE!): Plan Design Committee approves new option for SEHBP," Jan. 11, 2016, available at: https://directprimarycare.com/2016/01/12/new-jersey-plan-design-committee-approves-new-option-for-sehbp/.

[10] Information about New Jersey's current program is available on the New Jersey Pensions & Benefits Division's website here: https://www.state.nj.us/treasury/pensions/dpcmh.shtml.

Employees who choose a DPC provider through one of these plans have unlimited access to the DPC provider and pay no deductibles, copays, or coinsurance for services. The DPC providers are also available for same-day in-person appointments, as well as by phone, text, or video conference. New Jersey is currently gathering data on factors such as quality, cost, utilization, and outcomes of the pilot.

The experiences of R-Health and Paladina Health in New Jersey represent examples of at least one way in which DPC has been tested within a state employee health plan without legislation formally directing creation of a pilot.

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