

**HOUSE OF REPRESENTATIVES
FINAL BILL ANALYSIS**

BILL #:	HB 37	FINAL HOUSE FLOOR ACTION:		
SUBJECT/SHORT TITLE	Direct Primary Care Agreements	97	Y's 10	N's
SPONSOR(S):	Burgess; Miller.M; and others	GOVERNOR'S ACTION:		Approved
COMPANION BILLS:	CS/SB 80			

SUMMARY ANALYSIS

HB 37 passed the House on January 25, 2018, and subsequently passed the Senate on March 8, 2018.

The bill creates s. 624.27, F.S., to provide that a direct primary care agreement (agreement) and the act of entering into such an agreement are not insurance and not subject to regulation under the Florida Insurance Code (Code), including chapter 636, F.S. The bill also exempts a primary care provider, which includes a primary care group practice, or his or her agent, from any certification or licensure requirements in the Code for marketing, selling, or offering to sell an agreement. An agreement must:

- Be in writing;
- Be signed by the primary care provider, or his or her agent, and the patient, or the patient's legal representative;
- Allow either party to terminate the agreement by written notice followed by, at least, a 30 day waiting period;
- Allow immediate termination of the agreement for a violation of physician-patient relationship or a breach of the terms of the agreement;
- Describe the scope of services that are covered by the monthly fee;
- Specify the monthly fee and any fees for services not covered under the agreement;
- Specify the duration of the agreement and any automatic renewal provisions;
- Provide for a refund to the patient of monthly fees paid in advance if the primary care provider stops offering primary care services for any reason;
- State that the agreement is not health insurance and that the primary care provider will not file any claims against the patient's health insurance policy or plan for reimbursement for any primary care services covered by the agreement;
- State that the agreement does not qualify as minimum essential coverage to satisfy the individual responsibility provision of the Patient Protection and Affordable Care Act; and
- State that the agreement is not workers' compensation insurance and may not replace the employer's obligations under chapter 440, F.S.

The bill does not have a fiscal impact on state or local government.

The bill was approved by the Governor on March 23, 2018, ch. 2018-89, L.O.F., and will become effective on July 1, 2018.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h0037z1.HHS

DATE: March 27, 2018

I. SUBSTANTIVE INFORMATION

A. EFFECT OF CHANGES:

Background

Florida Office of Insurance Regulation

The Florida Office of Insurance Regulation (OIR) regulates the business of insurance in the state, in accordance with the Florida Insurance Code (Code).

The Life and Health Unit (Unit) of OIR provides financial oversight of health insurers, health maintenance organizations, and other regulated entities providing health care coverage. The Unit also reviews and approves some health care coverage products offered in the state. The following chart shows the type and number of each entity in the state:¹

Authority Category	Authorities
Health Insurers	372
Third Party Administrators	306
Continuing Care Retirement Communities	73
Discount Medical Plan Organizations	37
Health Maintenance Organizations	36
Fraternal Benefit Societies	37
Prepaid Limited Health Service Organizations/Prepaid Health Clinics	22

Direct Primary Care

Direct primary care (DPC) is a primary care medical practice model that eliminates third party payers from the primary care provider-patient relationship. Through a contractual agreement, a patient pays a monthly fee, usually between \$50 and \$100 per individual,² to the primary care provider for defined primary care services. These primary care services may include:

- Office visits;
- Annual physical examination;
- Routine laboratory tests;
- Vaccinations;
- Wound care;³
- Splinting or casting of fractured or broken bones;
- Other routine testing, e.g. echocardiogram and colon cancer screening; or
- Other medically necessary primary care procedures.

After paying the fee, a patient can access all services under the agreement at no extra charge. Some DPC practices also include routine preventative services, like laboratory tests, mammograms, Pap screenings, vaccinations, and home visits.⁴ A primary care provider DPC model can be designed to

¹ Email correspondence from OIR staff dated August 31, 2017, reflecting the number of entities in the state as of August 21, 2017 (on file with Health & Human Services Committee staff).

² A recent study of 141 DPC practices found the average monthly fee to be \$77.38. Philip M. Eskew and Kathleen Klink, *Direct Primary Care: Practice Distribution and Cost Across the Nation*, Journal of the Amer. Bd. of Family Med., November-December 2015, Vol. 28 No. 6, pg. 797; approximately two thirds of DPC practices charge less than \$135 per month. Jen Wieczner, *Is Obamacare Driving Doctors to Refuse Insurance?*, Wall St. J. Marketwatch, Nov. 12, 2013, available at: <http://www.marketwatch.com/story/is-direct-primary-care-for-you-2013-11-12> (last visited August 31, 2017).

³ E.g., stitches and sterile dressings.

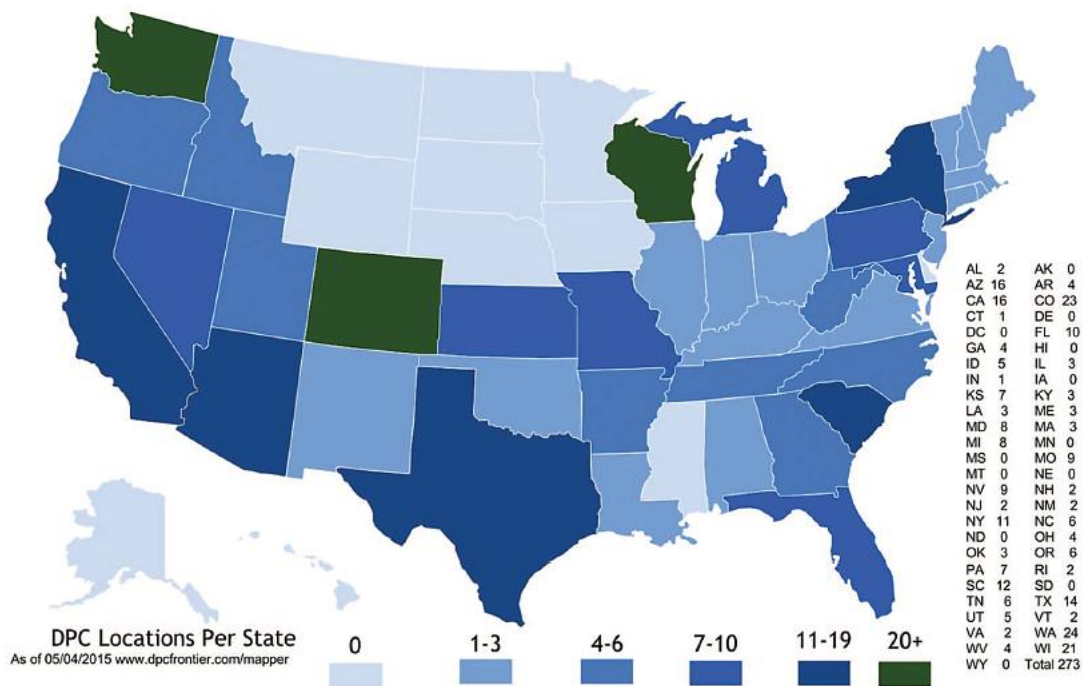
⁴ Direct Primary Care Journal, *DPC Journal Releases Two-Year Industry Analysis of Direct Primary Care Marketplace; Shows Trends, Demographics, DPC Hot Zones*, available at: <http://directprimarycarejournal.com/2015/08/24/dpc-journal-releases-two-year-industry-analysis-of-direct-primary-care-marketplace-shows-trends-demographics-dpc-hot-zones/> (last viewed August 31, 2017).

address the large majority of health care issues, including women's health services, pediatric care, urgent care, wellness education, and chronic disease management.

In the DPC practice model, the primary care provider eliminates practice overhead costs associated with filing claims, coding, refiling claims, write-offs, appealing denials, and employing billing staff. The cost and time savings can be reinvested in the practice, allowing more time with patients to address their primary care needs.

Nationwide, there are an estimated 4,400 direct primary care physicians nationwide, up from 756 in 2010⁵, in 640 direct primary care practices.⁶ The following chart illustrates the concentration of DPC practices in the United States.⁷

Direct Primary Care Practice Distribution



⁵ Daniel McCorry, *Direct Primary Care: An Innovative Alternative to Conventional Health Insurance*, The Heritage Foundation Backgrounder, No. 2939 (Aug. 6, 2014), available at: <http://report.heritage.org/bg2939> (last viewed August 31, 2017).

⁶ Direct Primary Care Coalition, available at: <http://www.dpcare.org> (last viewed March 13, 2018).

⁷ Supra, FN 2, Eskew and Klink.

As of December 2017, twenty-three states have approved legislation which defines DPC agreements or services as outside the scope of state regulation⁸

Florida statutes do not specifically address DPC agreements, and OIR has not asserted regulatory authority over them. There is uncertainty about whether OIR might assert such authority in the future. In the event that OIR found that DPC agreements constitute insurance plans subject to regulation under the Insurance Code, the agreements could be subject to the insurance premium tax. In addition, DPC would be required to meet all other applicable regulations, including reserve requirements, rate and form reviews by OIR, and regulations governing ownership and administration of the DPC arrangement.

DPC and Health Care Reform

The Patient Protection and Affordable Care Act (PPACA)⁹ addresses the DPC practice model. The individual responsibility provision of PPACA requires individuals to obtain health insurance coverage that meets minimum essential coverage standards in the law. Failure to do so results in tax penalties.

Direct primary care arrangements alone do not constitute minimum essential coverage because they do not cover catastrophic medical events. A qualified health plan under PPACA is permitted to offer coverage through a DPC medical home plan if it provides essential health benefits and meets all other criteria in the law.¹⁰ Patients who are enrolled in a DPC medical home plan may be compliant with the individual mandate if they have coverage for other services, such as a wraparound catastrophic health policy to cover treatment for serious illnesses, like cancer, or severe injuries that require lengthy hospital stays and rehabilitation.¹¹ In Colorado and Washington, qualified health plans are offering DPC medical home coverage on each state-based health insurance exchange.¹²

Effect of the Bill

HB 37 provides that a direct primary care agreement is not insurance and entering into such an agreement is not the business of insurance. It exempts both the agreement and the activity from the Code, including chapter 636, F.S. Through the exemption, the bill eliminates any authority of OIR to regulate a direct primary care agreement or entering into such an agreement. The bill also exempts a primary care provider, or his or her agent, from certification or licensing requirements under the Code to market, sell, or offer to sell a direct primary care agreement.

The bill requires a direct primary care agreement to:

- Be in writing;
- Be signed by the primary care provider, or his or her agent, and the patient, the patient's legal representative, or an employer;
- Allow either party to terminate the agreement by written notice followed by, at least, a 30 day waiting period;
- Allow immediate termination of the agreement for a violation of physician-patient relationship or a breach of the terms of the agreement;
- Describe the scope of services that are covered by the monthly fee;
- Specify the monthly fee and any fees for services not covered under the agreement;
- Specify the duration of the agreement and any automatic renewal provisions;

⁸ States with Direct Primary Care Laws are: Alabama, Arizona, Arkansas, Colorado, Idaho, Indiana, Kansas, Kentucky, Louisiana, Maine, Michigan, Mississippi, Missouri, Nebraska, Oklahoma, Oregon, Tennessee, Texas, Utah, Virginia, Washington, West Virginia and Wyoming. Available at: <http://www.dpcfrontier.com/states> (last viewed March 13, 2018).

⁹ Pub. L. No. 111-148, H.R. 3590, 111th Cong. (Mar. 23, 2010).

¹⁰ 42 U.S.C. §1802 (a)(3); 45 C.F.R. §156.245

¹¹ 42 U.S.C. §18021(a)(3); The Secretary of the U.S. Department of Health and Human Services is required to promulgate rules to guide insurers in developing DPC medical home products that provide minimum essential coverage. As of the date of this analysis, those rules have not been promulgated.

¹² Jay Keese, Direct Primary Care Coalition, *Direct Primary Care*, PowerPoint presentation before the House Health Innovation Subcommittee, slide 2, February 17, 2015 (on file with Health & Human Services Committee staff).

- Provide for a refund to the patient of monthly fees paid in advance if the primary care provider stops offering primary care services for any reason;
- State that the agreement is not health insurance and that the primary care provider will not bill the patient's health insurance policy or plan for services covered under the agreement;
- State that the agreement does not qualify as minimum essential coverage to satisfy the individual responsibility provision of the Patient Protection and Affordable Care Act; and
- State that the agreement is not workers' compensation insurance and may not replace the employer's obligations under chapter 440, F.S.

The bill provides an effective date of July 1, 2018.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference (REC) has not considered the fiscal impact of HB 37 on the Insurance Premium Tax Group trust fund at this time.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill removes any regulatory uncertainty as to the status of a direct primary care agreement as insurance. Primary care providers may choose to invest in establishing direct primary care practices throughout the state to provide primary care services, which would increase access to such services, without concern of facing regulatory action by OIR.

D. FISCAL COMMENTS:

None.