



Direct Primary Care Trends Report 2017

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Introduction

Hint's software automates the back-office administration of Direct Care practices, enabling providers to operate streamlined businesses with a focus on quality patient care. In this position, Hint has amassed a large amount of data about the growth and operation of these practices across the country.

We employ a team of Data Scientists to transform this information into actionable insights to be delivered via our product so the Hint community can leverage collective intelligence to support their success. In order to improve understanding and adoption of the Direct Care model, we've decided to publicly release a number of these insights in this report.

The following data is limited to a sub-set of Hint's client base that have been expressly identified as Direct Primary Care (DPC) practices. It does not attempt to represent universal industry coverage. It does represent trends that affect every DPC practice on our platform. We hope our report will inspire others to publish similar data, facilitating better understanding and transparency of the DPC industry.

All DPC practices included in this study were identified according to the following criteria:

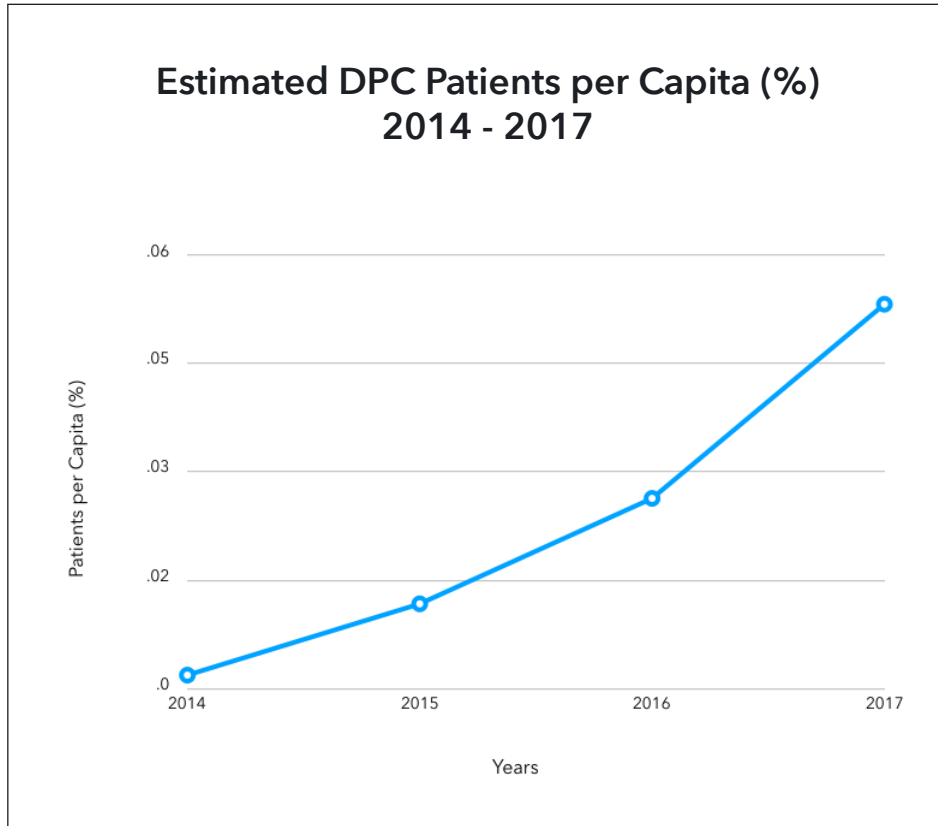
- No fee-for-service insurance billing for any patients
- A direct financial relationship with patients or employers via recurring membership subscription
- A specialty that is one of: Family Medicine, Internal Medicine, Functional Medicine, or Naturopathic Medicine
- Primary care considered the core medical service

* All information in this report has been anonymized. Where necessary, we have omitted data that would compromise the privacy of our clients. Data has also been omitted in areas where a significant sample size does not exist, and we have taken great effort to report trends in the most accurate and straightforward way possible. If you have any questions about the data represented in this report, please contact us at data@hint.com for clarification.



Nationwide Growth Trends

Growth of DPC



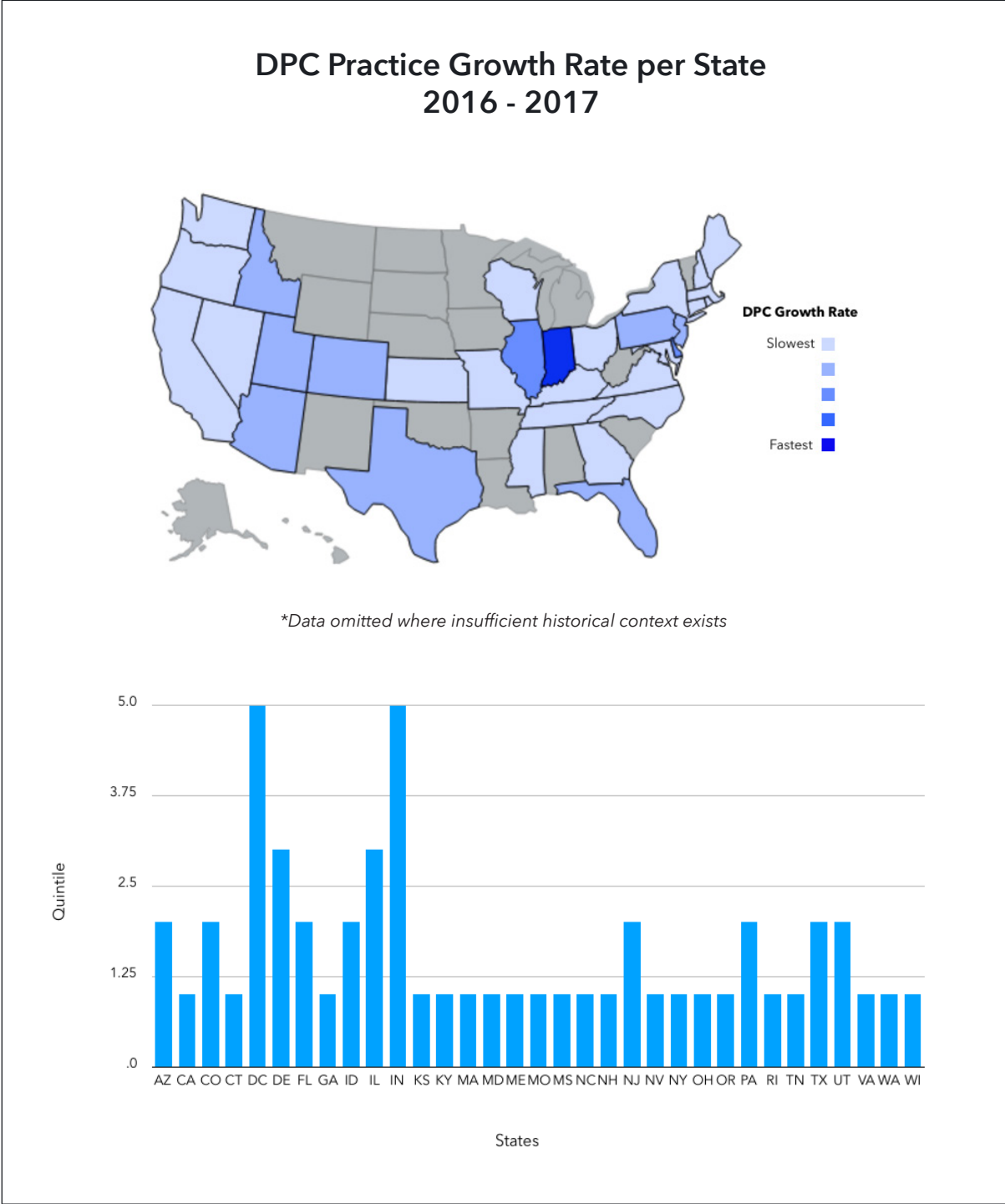
(Note: estimates calculated from yearly practice census on www.DPCfrontier.com and average panel size seen across all Hint DPC practices each year)

DPC: Growing Faster and Faster

Patients and physicians are increasingly finding DPC a cure to the broken healthcare industry. As a young movement, DPC is picking up speed!



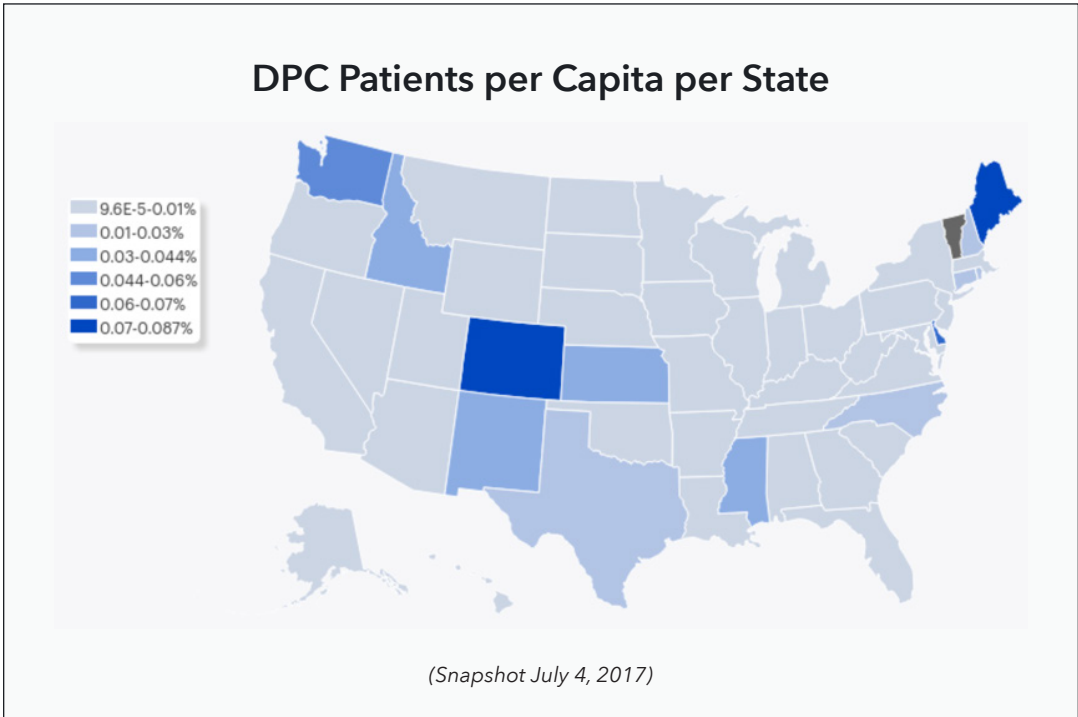
Growth Rate of DPC By GEO



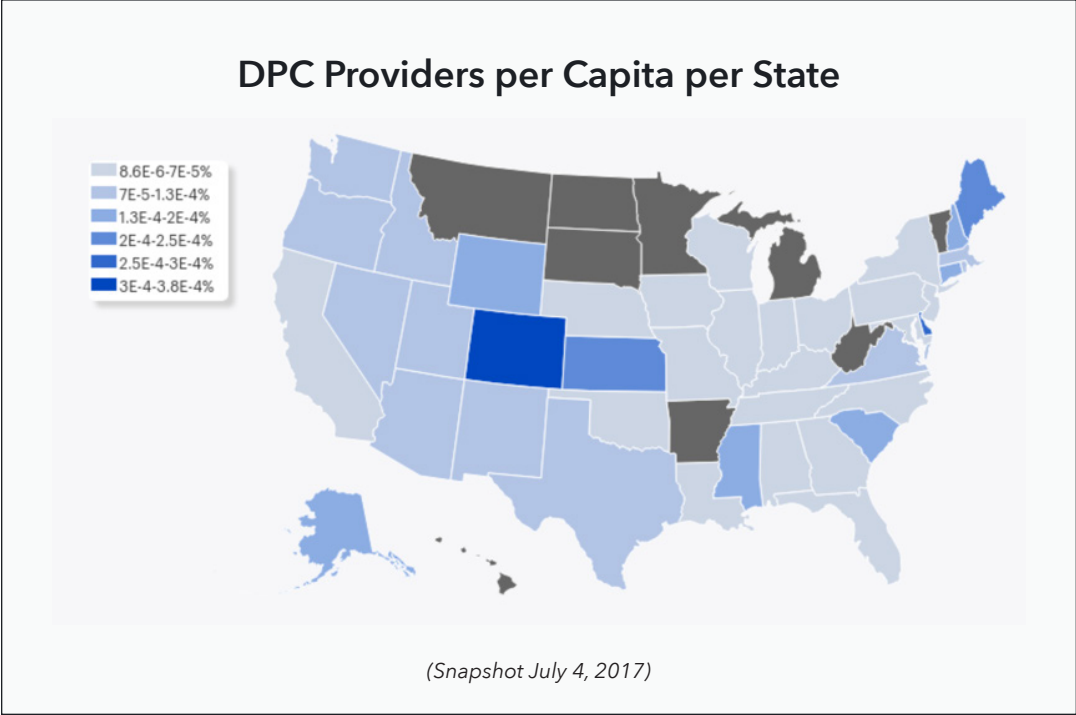
DPC's Growth by State

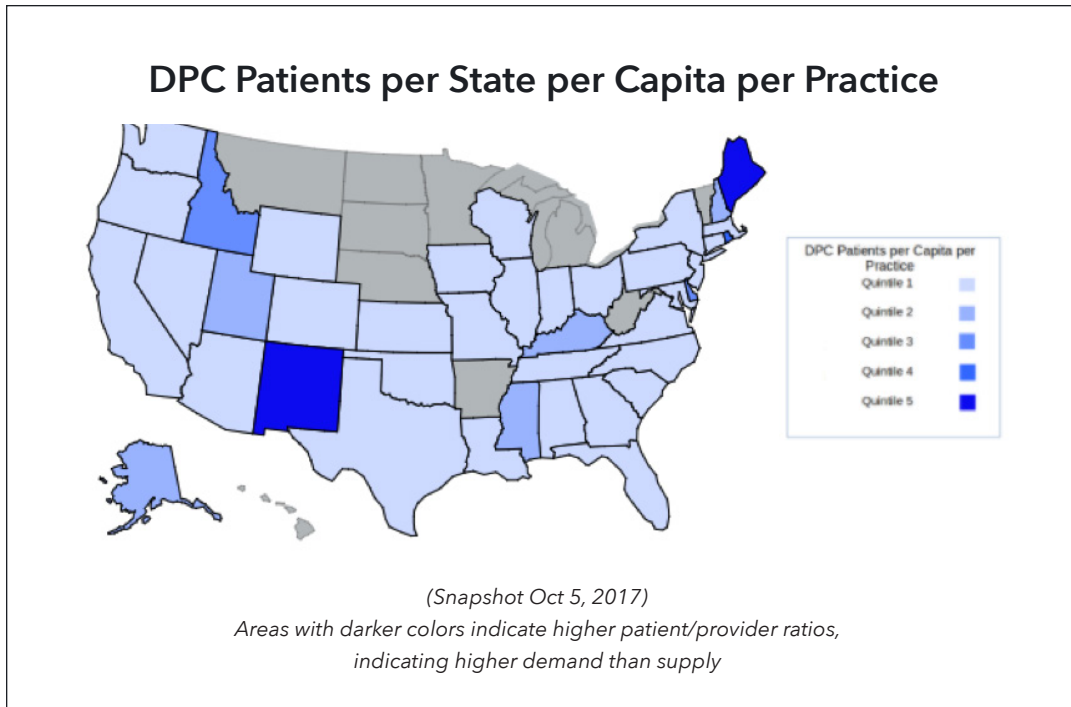
DPC is growing at an impressive rate. The fastest-growing states see panel sizes expanding at an astounding 2084% per year, while even the lowest-growth states see an average of 67% increase over the past year.

Nationwide DPC Patient Distribution (Per Capita)



Nationwide DPC Providers Distribution (Per Capita)





Nationwide DPC Coverage

DPC is growing strong, with almost contiguous coverage of patients and providers across the continental US. Some areas have extremely strong adoption, and others have demand that far outstrips the supply of practicing physicians. If you're a physician contemplating opening a DPC practice in the near future, consider doing so in one of the states that currently has a high patient to provider ratio. Examples include states like New Mexico, Maine or Idaho.

On the other hand, if you'd prefer to be surrounded by a network of established DPC providers to help ease the transition, Colorado and Delaware great locations.

Many patients are so enamored with Direct Care, they're willing to cross state lines to see their doctor, as evidenced by the existence of patients in states where no providers are registered.



DPC Practice Growth Trends

Average Yearly
Panel Growth:

8.72 %

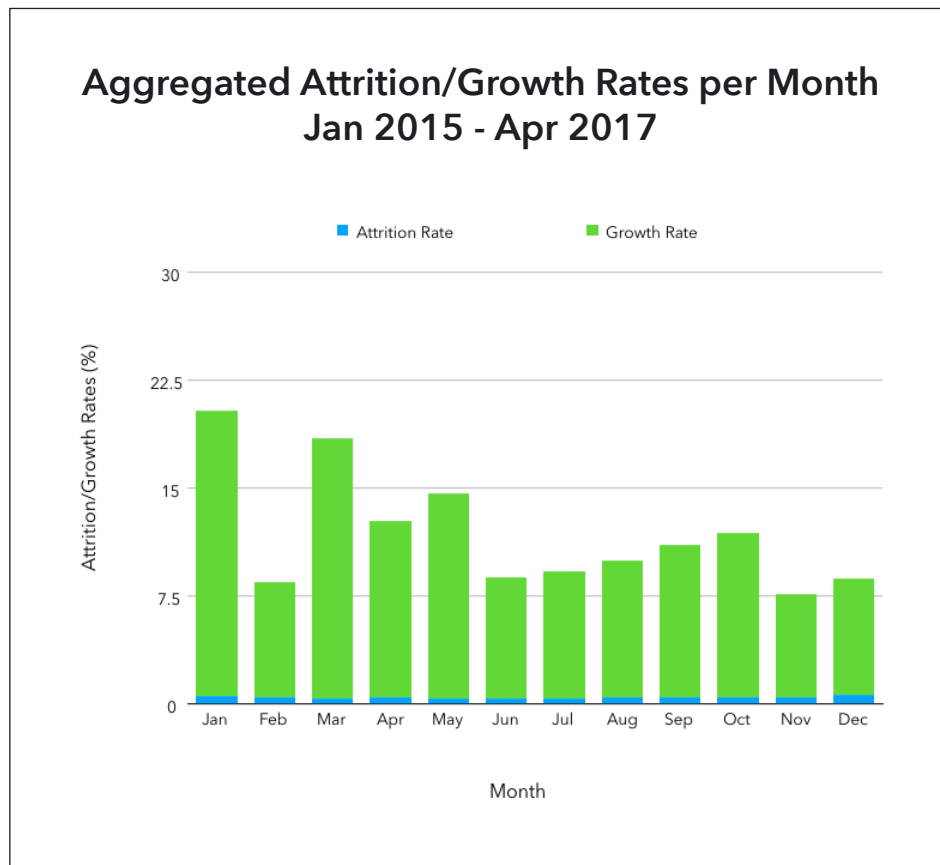
Average Yearly
Panel Attrition:

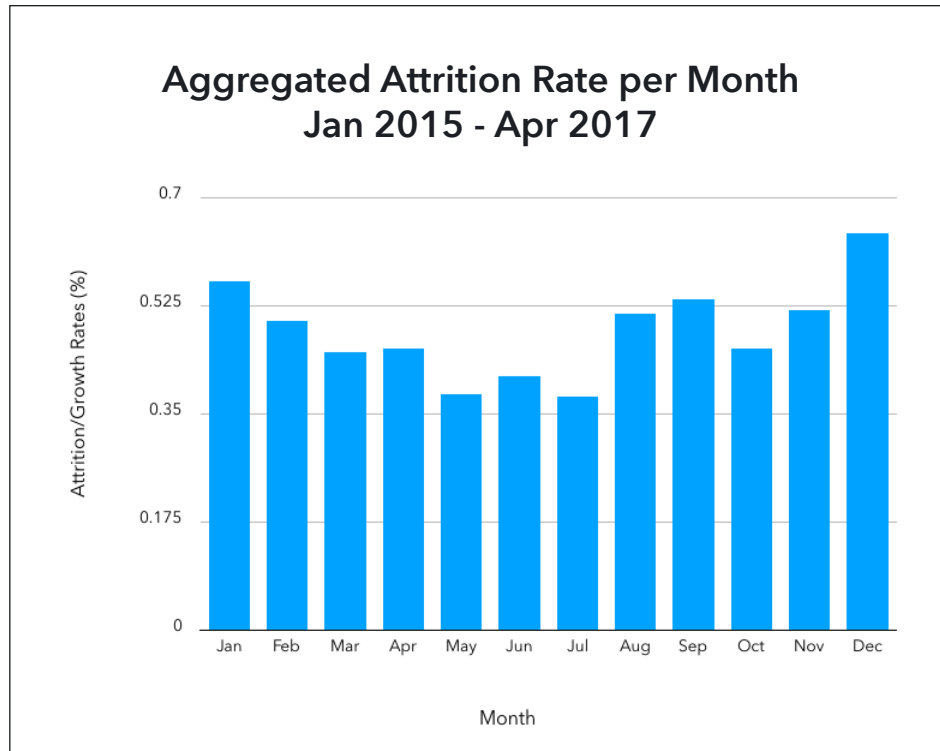
0.6%

DPC is Growing at Over 8% Per Year

(Note: Median across all practices, whether actively recruiting or not)

DPC Attrition Trends by Season (Nationwide)





A time to Recruit and a time to Retain

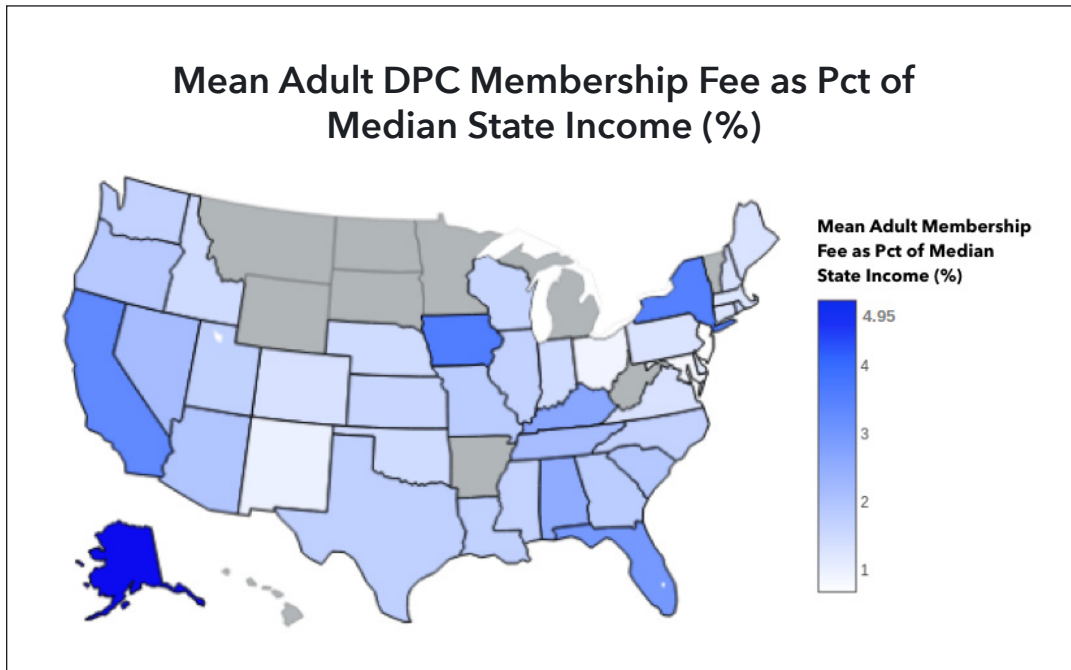
The early months of the year tend to be the highest growth period for DPC practices, so we recommend recruiting heavily during those months. On the other hand, attrition ticks up around open enrollment season in November, December and January.

While still marginal compared to the growth rate of these periods, we recommend doubling down to remind your patients of your practice's value and retain as many as you can during this time. Traditional business research suggests it costs anywhere from five to ten times more to acquire a new customer than it does to retain an existing one.

One tactic to both attract and retain patients during open enrollment would be to develop a guide that helps them understand the relationship between health insurance and Direct Primary Care. Many patients are looking to reduce their healthcare expenses during this period, and understanding the cost saving advantages of DPC will help them appreciate its true value in that context.

Pricing Trends

Average Adult Membership Fee by Location



Average Adult Membership Fee:

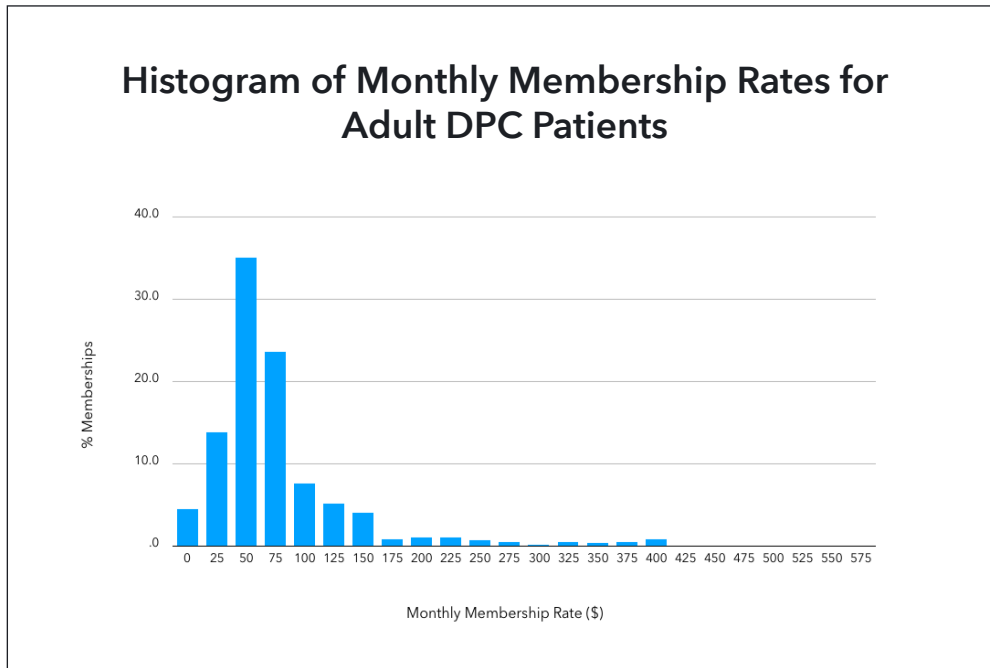
\$82.86/mo

Median Adult Membership Fee:

\$65/mo



Average Adult Membership Fee Nationwide



How Much Should You Charge Adult Patients?

Over 70% of adult memberships analyzed charge between \$25 and \$100 per month. If you're unsure how much you should charge, consider starting at \$100/month and adjusting the price until you find your own sweet spot on the demand curve for your area.

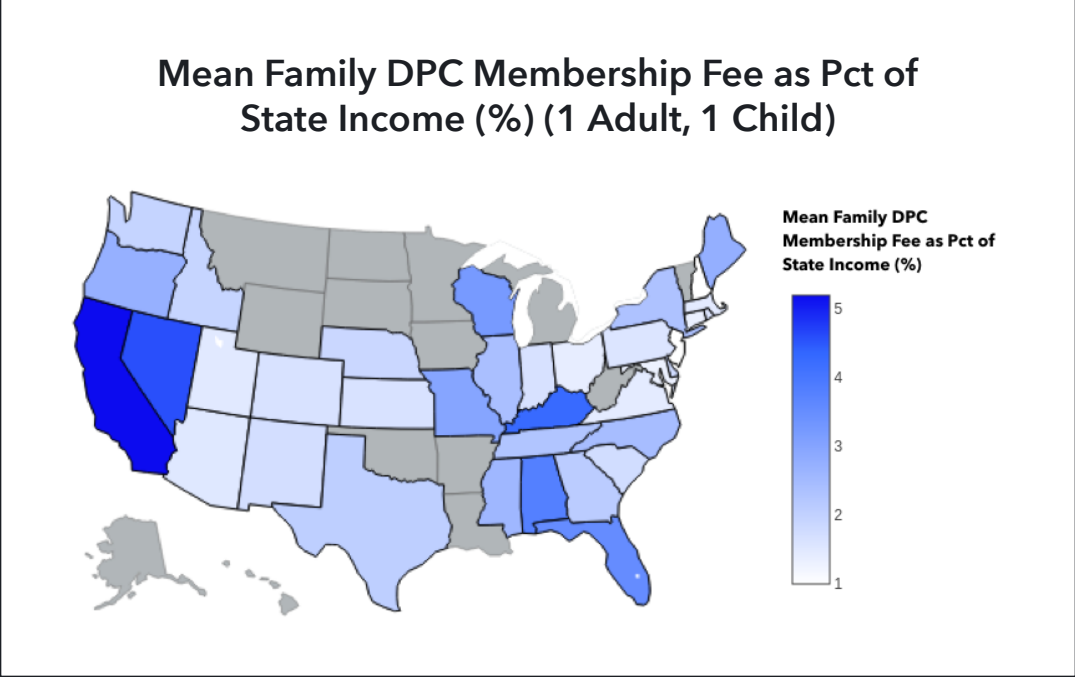
Fewer than 2% of all practices charge more than \$175 per adult patient. Most of these practices are located in high-cost areas such as San Francisco, New York, and Alaska. While they are high-priced outliers, it's important to note that these organizations are still practicing DPC according to the definition established in the introduction. They've simply tailored their pricing to their location and patient demographics.

It is also interesting to note the % of median income that patients are

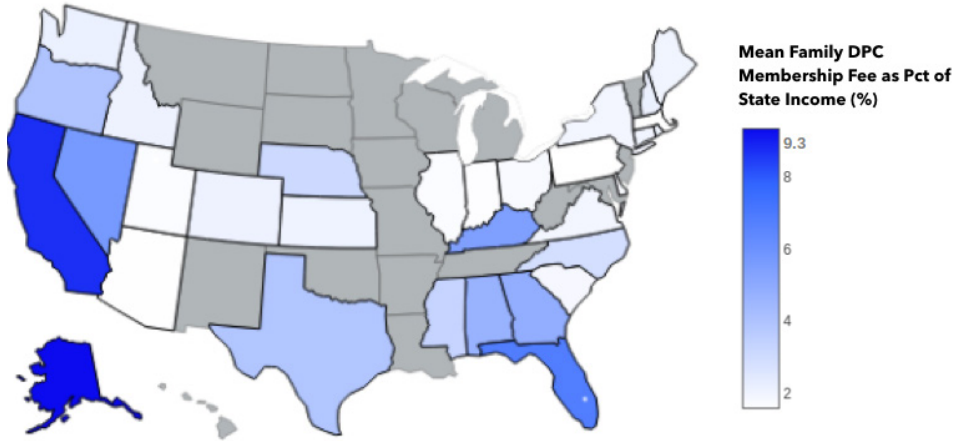


willing to spend in various areas of the country (first chart). This provides a cost of living adjusted view of where DPC is valued the most.

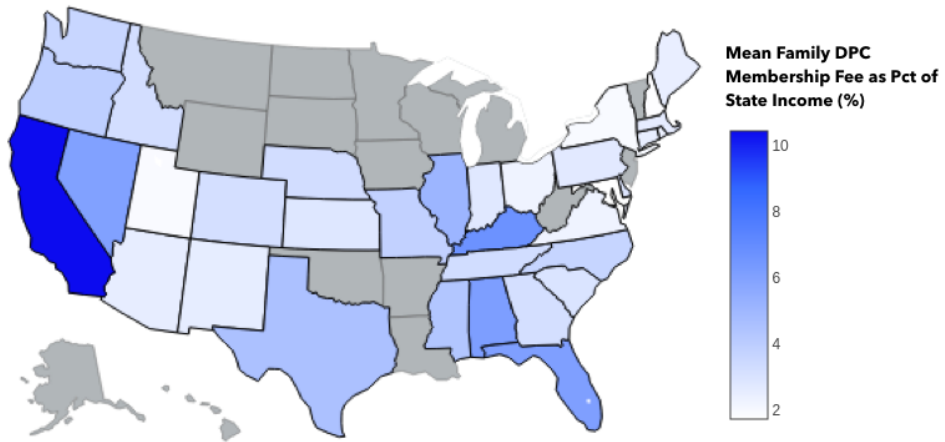
Average Family Membership Fee by Location



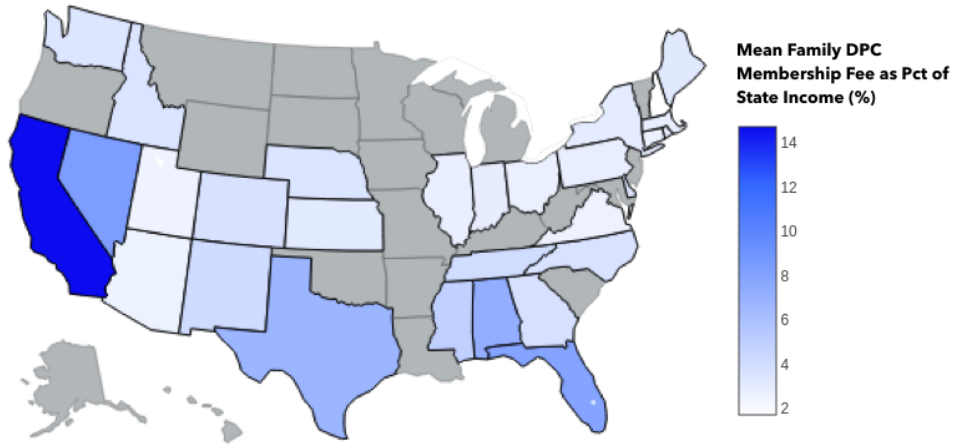
Mean Family DPC Membership Fee as Pct of State Income (%) (1 Adult, 2 Children)



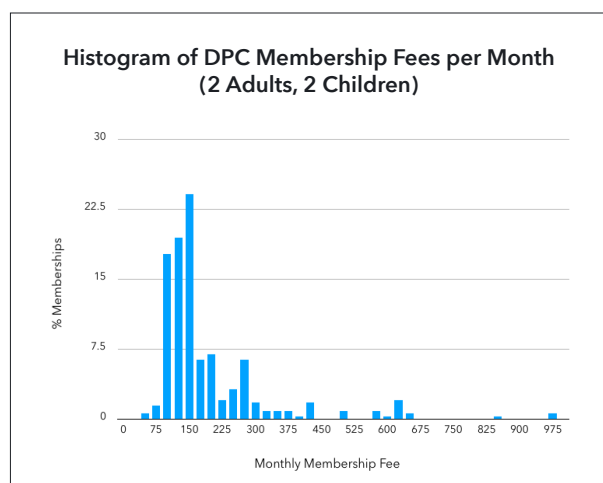
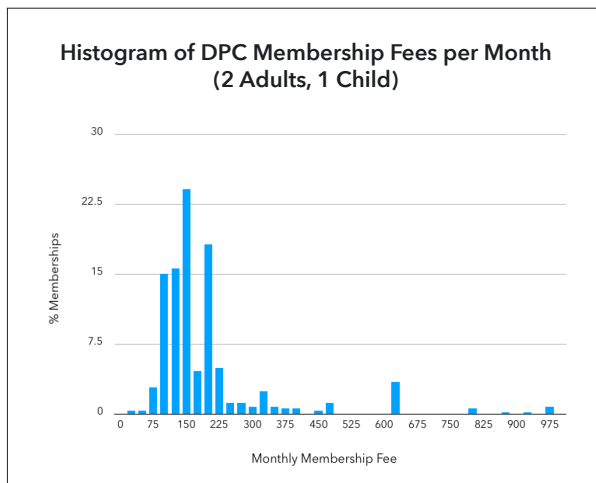
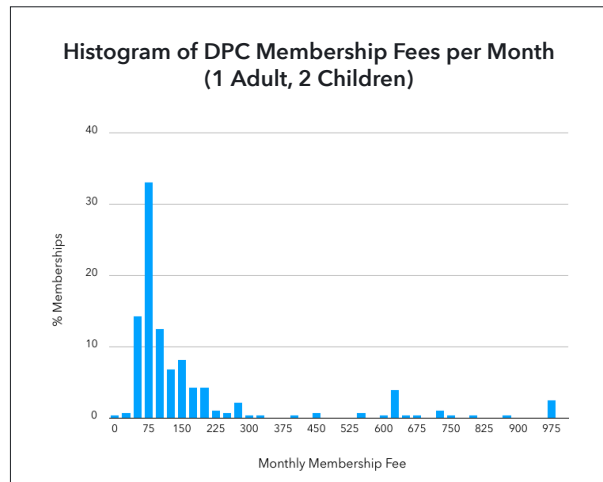
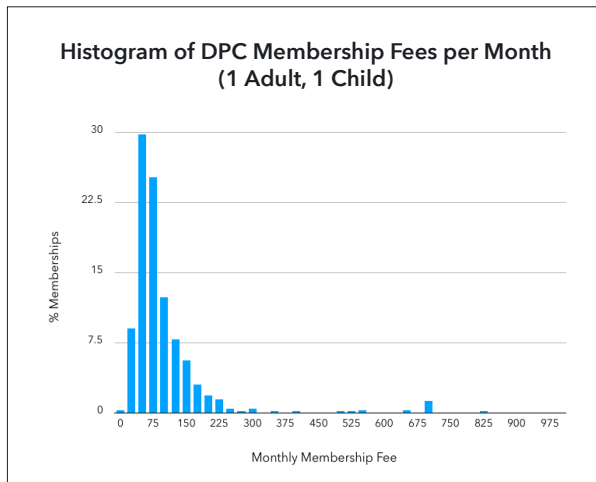
Mean Family DPC Membership Fee as Pct of State Income (%) (2 Adults, 1 Child)



Mean Family DPC Membership Fee as Pct of State Income (%) (2 Adults, 2 Children)



Average Membership Fees Nationwide for Families



How Much Should You Charge Families?

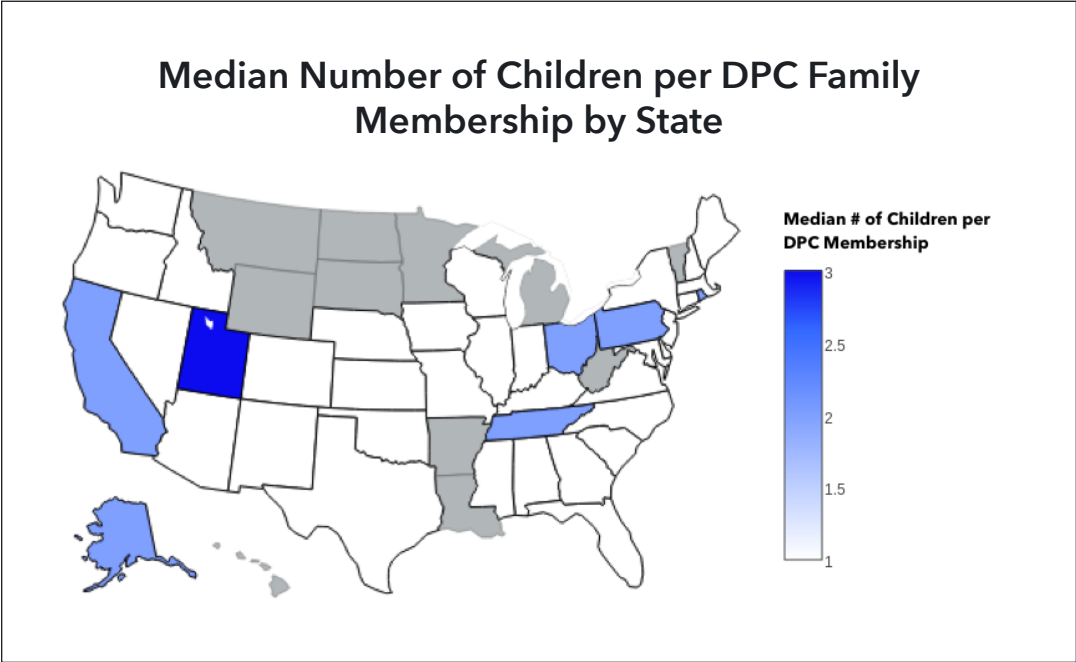
Over 82% of family memberships cost between \$50 and \$225 per month. Unless you're in a severely underserved market, most new practices will benefit from shaping their prices around these norms.

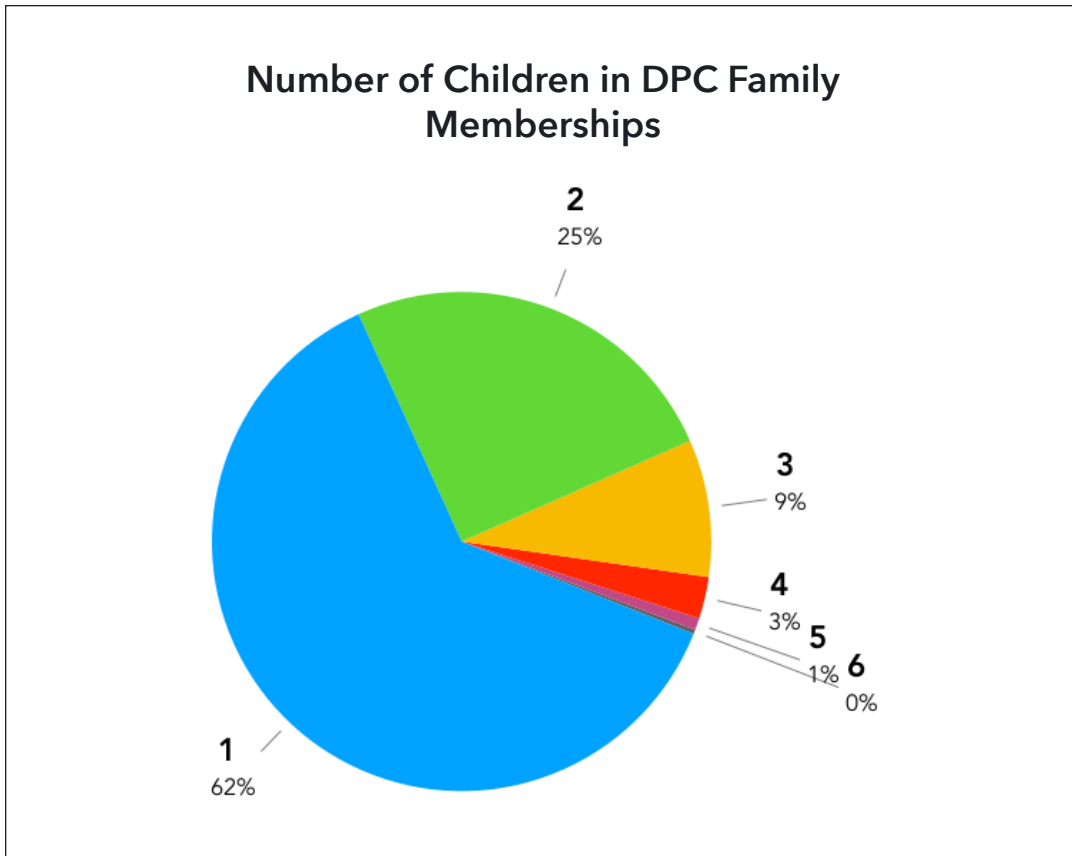
Many practices also choose to discount children's memberships, as they find adding children makes the whole family's membership more sticky.



Children often become emotionally attached to their physician, which improves retention for the entire family.

Median Number of Children Per Membership by Location



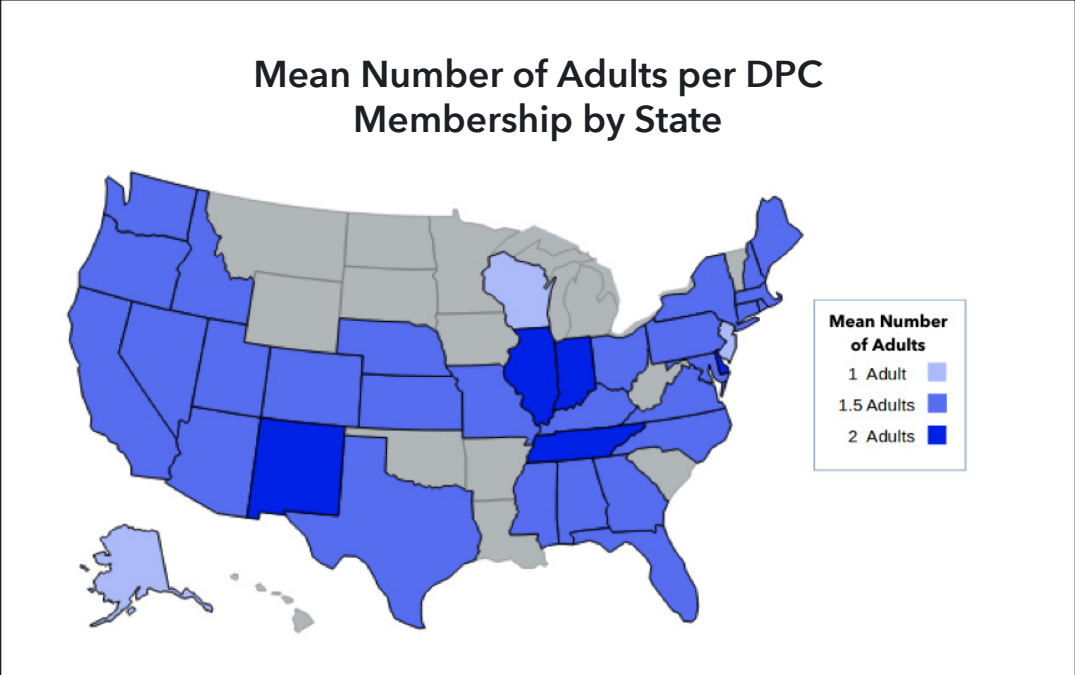


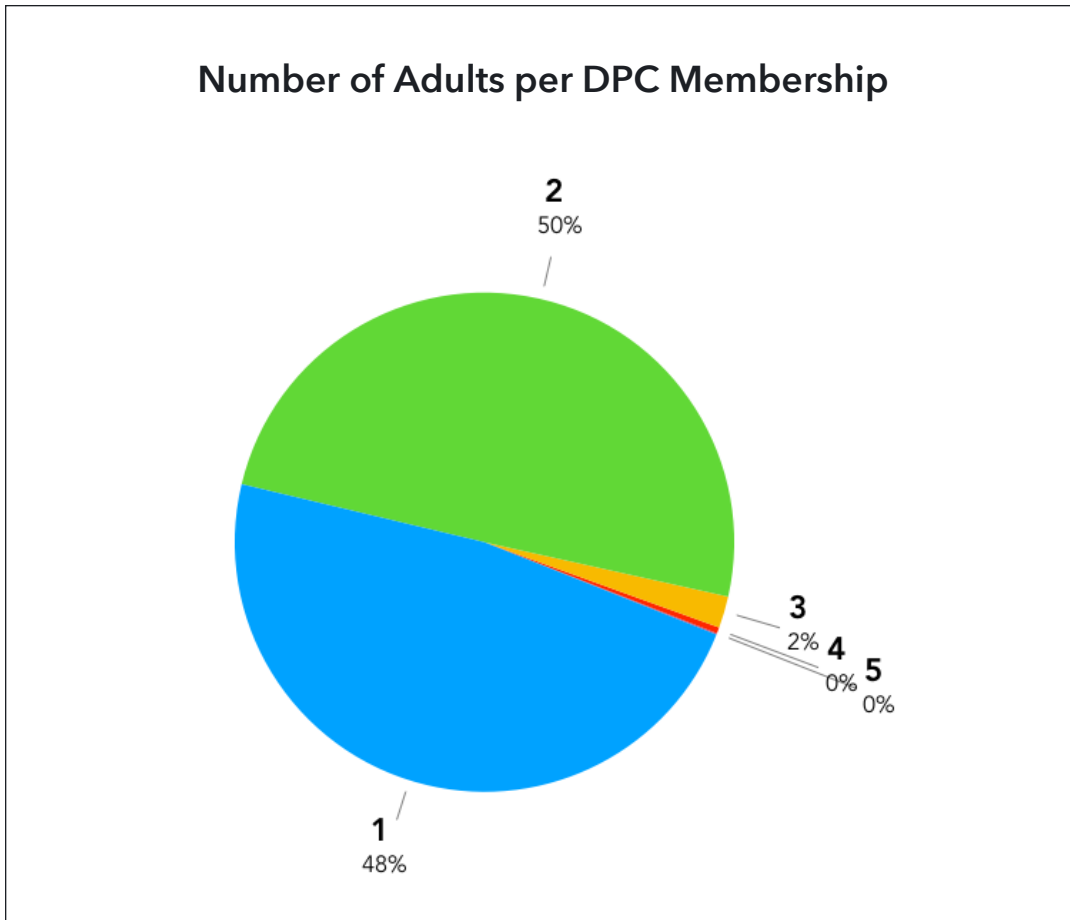
How Many Children should you expect?

You should always structure your practice around your patients. While most of the country only sees a few children joining per family, multiple children tend to come from the same household in states like Utah, Pennsylvania, and Alaska. Physicians in these states should consider offering pediatrics services to improve their recruitment and retention.



Average Number of Adults per Membership by Location



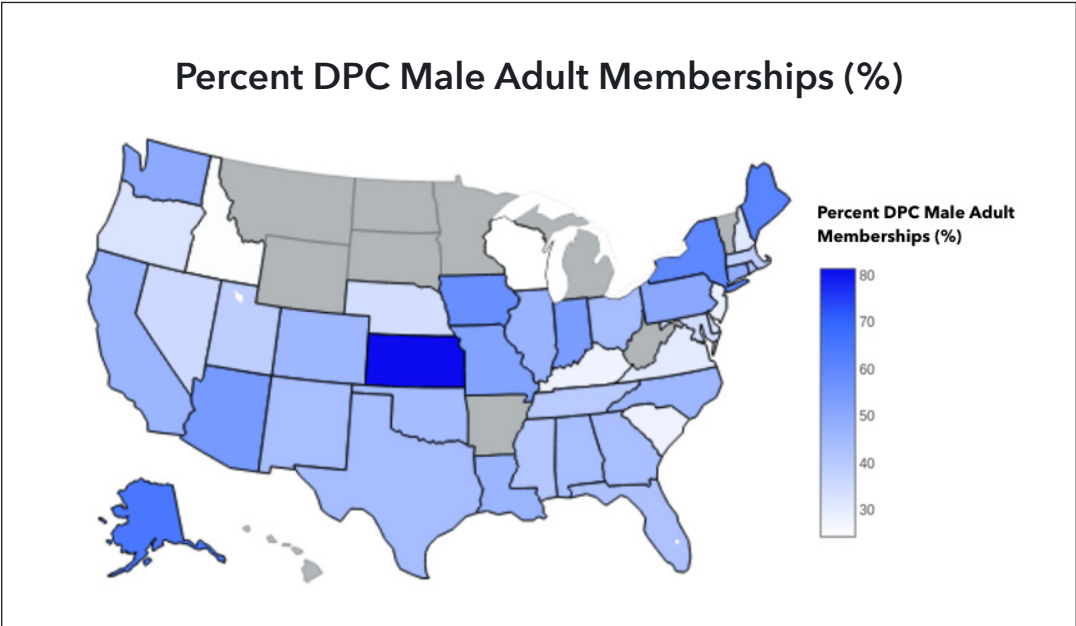
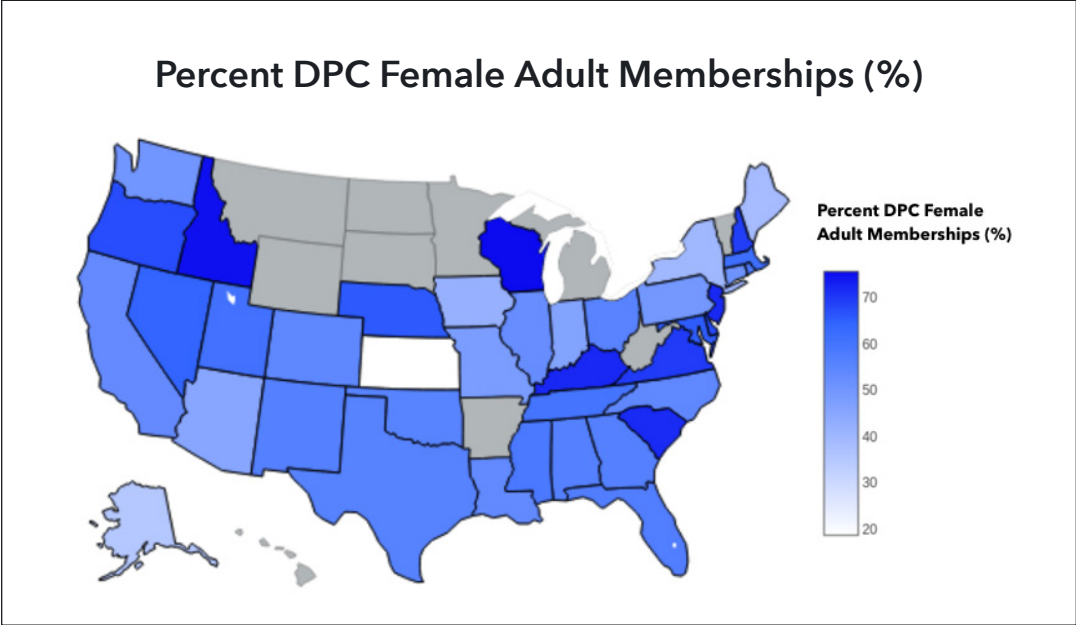


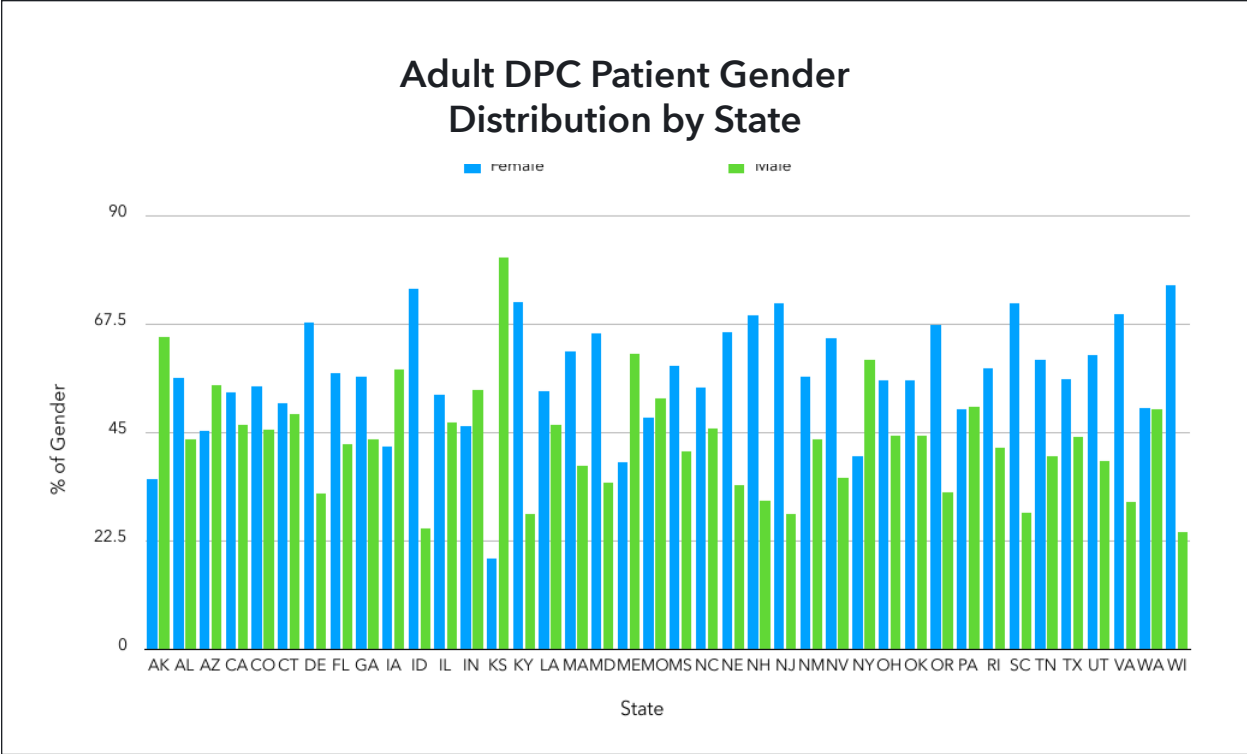
How Many Adults to Expect Per Family?

In some states, multiple adults tend to come from the same household. Therefore, if you're in New Mexico, Illinois, Indiana, or Tennessee, consider targeting couples with your marketing messages. Our data suggests that women tend to lead their family's healthcare decisions, so practices in these states may perform better by targeting wives to join. The husbands will often follow.



DPC Gender Breakdown





Most States Skew Towards Women

42 out of 50 states have more women with DPC memberships than men, so most DPC practices would do well to create marketing that appeals to women patients. Doing additional research to understand your area’s demographics in more detail will help determine which patients to target and which are less likely to join.



Overall Gender Distribution

A National Balance

While it may seem like DPC is dominated by female memberships, analysis across every practice in the study shows an overall breakdown of that's more balanced nationwide. Better healthcare, it seems, has universal appeal.

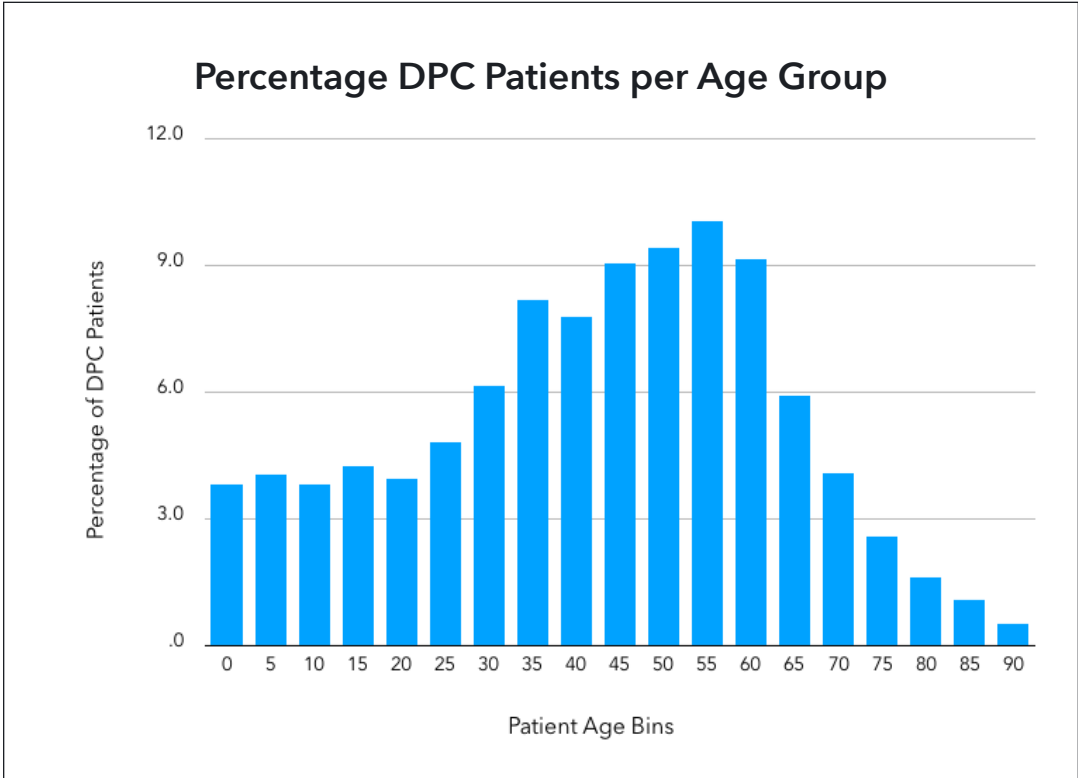
Female

54%

Male

46%

Age Range of DPC Patients



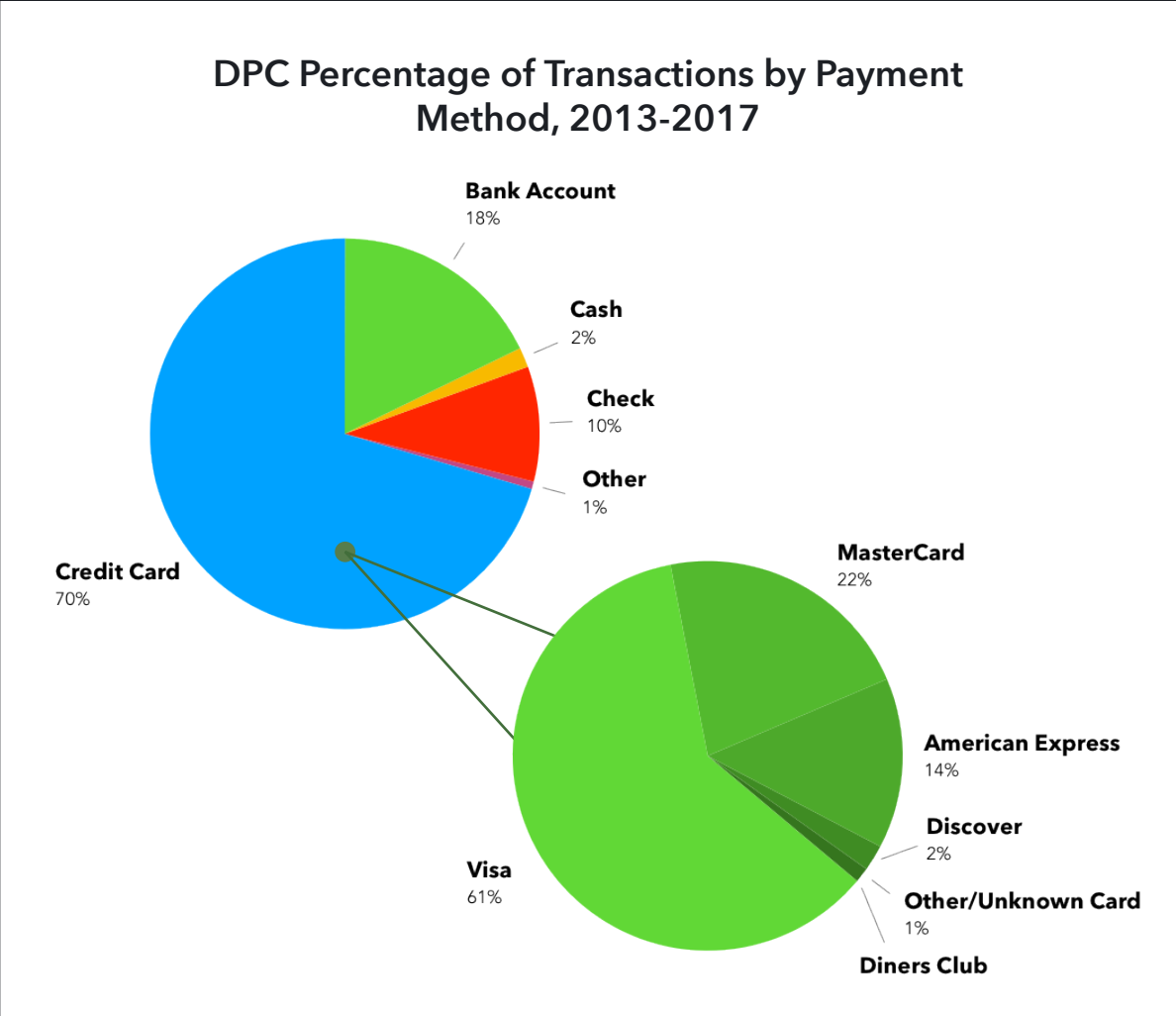
What Ages Should You Expect?

DPC sees strong adoption across almost all age brackets, climbing as patients start to reach their early 40s. There is a strong drop off at age 65, when most US citizens become eligible for Medicare. Even so, a significant portion remain enrolled after this threshold, despite the fact that they are eligible for highly subsidized treatment elsewhere. This is a strong testament to the value of the model amongst consumers with the strongest motivation to switch.



Payment Trends

DPC Payment Mix

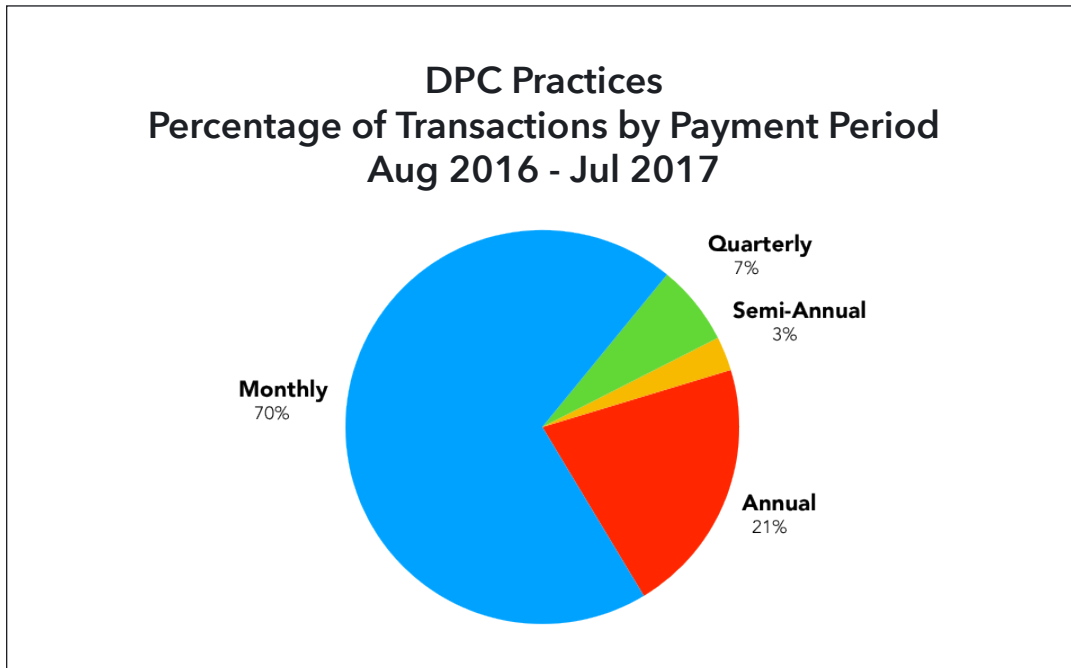


How do People Pay for DPC?

Since most patients pay for DPC with their credit card, and a smaller, but still impressive percentage pay with American Express, we recommend accepting all major credit cards including AMEX. Direct bank-account transfers and checks are also popular for their low merchant processing fees, provided your payment platform is able to streamline the process of connecting these accounts for the less technically inclined.



The Effect of Bulk Payment on Bottom Line

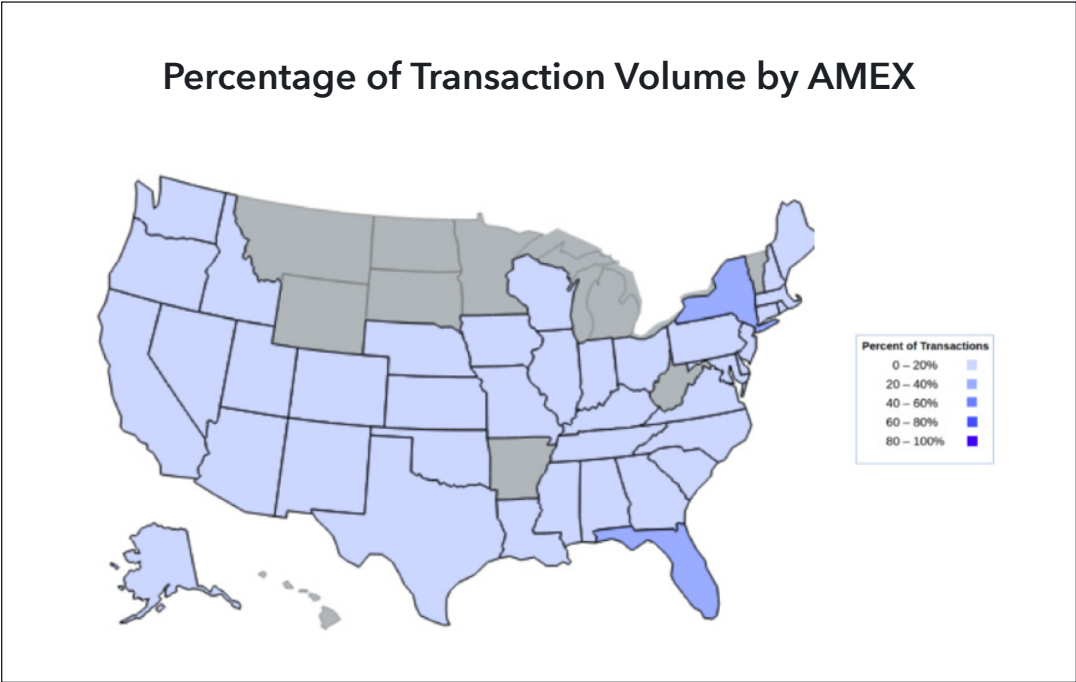
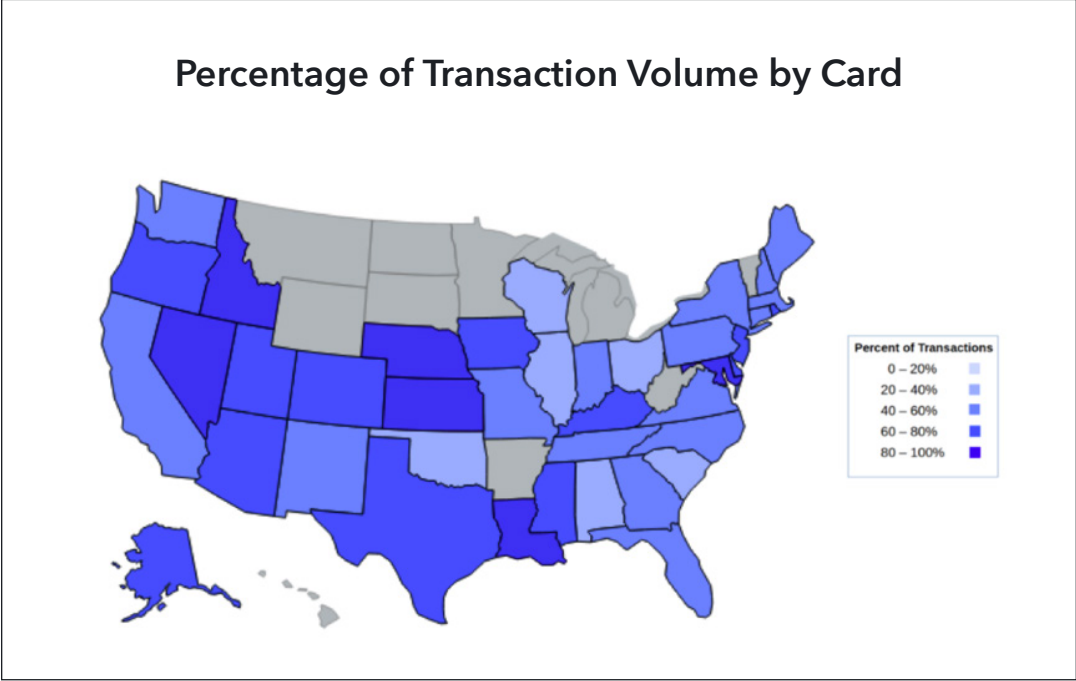


Front-Load Revenue with Bulk Payments

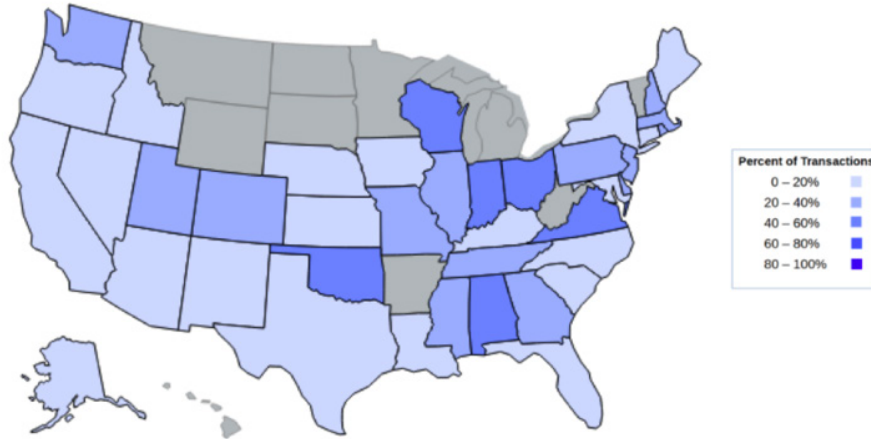
A significant portion of DPC revenue comes in bulk pre-payments via quarterly, semi-annual, or annual membership payments. These payments are typically incentivized by discounts ranging from five to ten percent, and can be a significant cash-flow booster for young practices. Accepting bulk payments can front-load up to 25% of a practice's annual revenue.



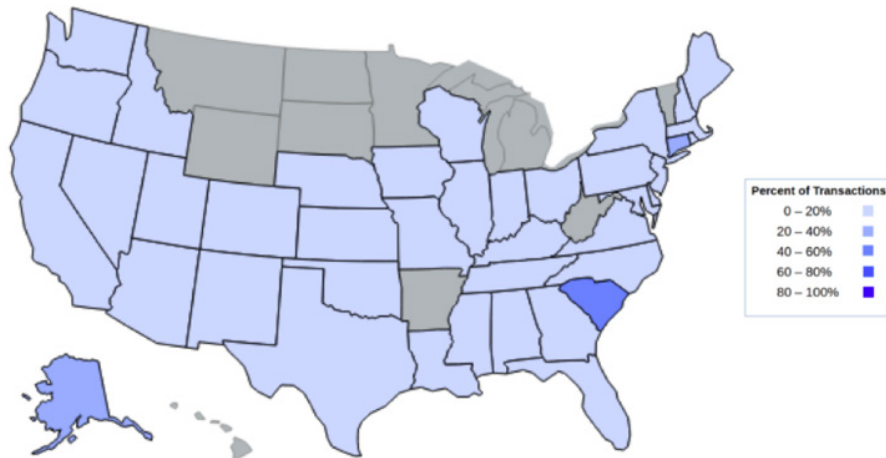
DPC Payment Mix by Location



Percentage of Transaction Volume by Bank



Percentage of Transaction Volume by Check

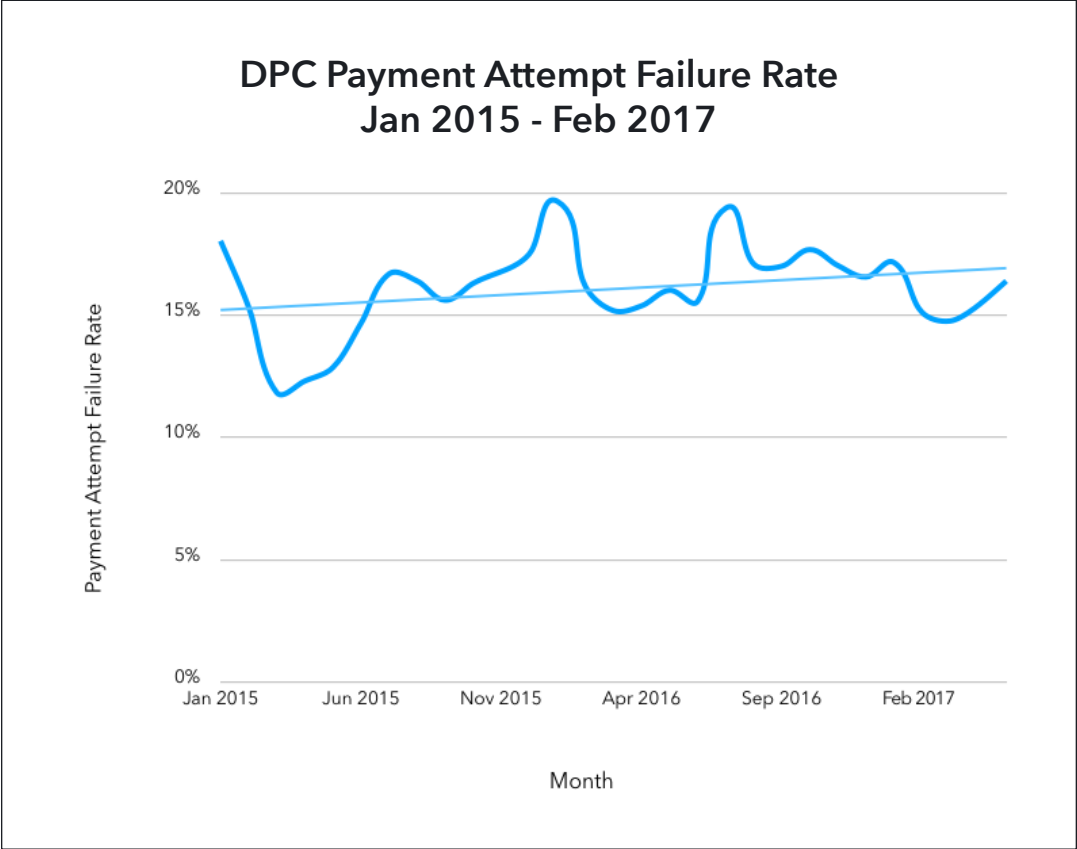


Take Payments However Your Patients Prefer

Patients prefer to pay with different methods depending where they live. Be sure to accept what your patients want to give you, otherwise, you're leaving money on the table.



Charge Failure Rate

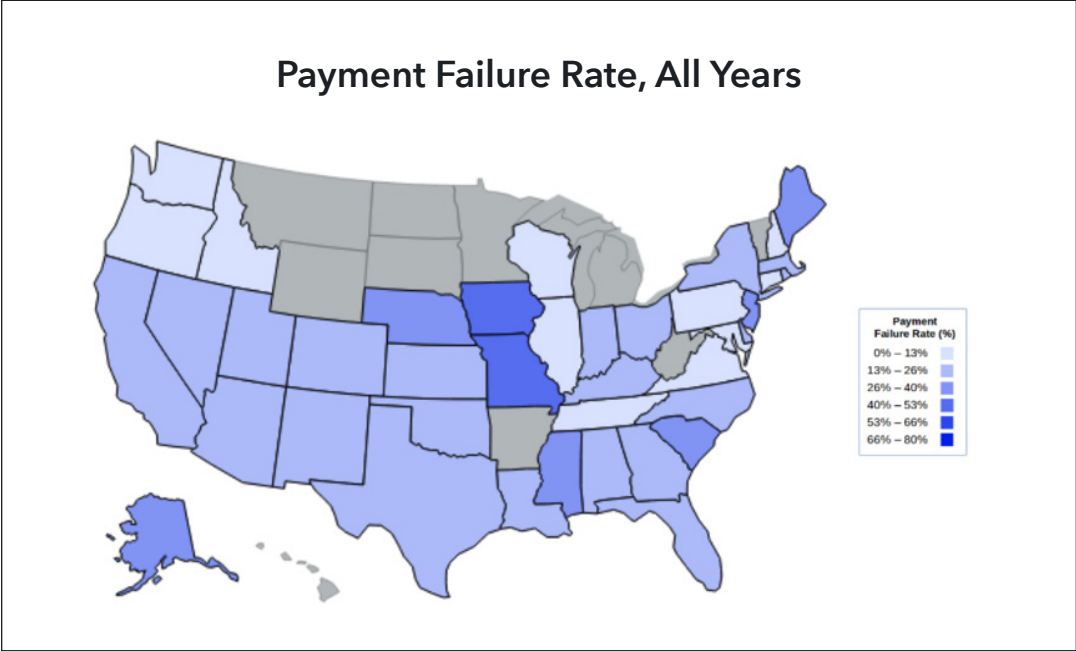


Charge Failure Rate

The payment failure rate on credit card accounts is increasing over time. These failures happen for a variety of reasons, from insufficient credit, to expired cards and automated fraud protection. If you don't have a system that automatically follows up on failed charges, you'll be spending a lot of time chasing down payments at best, and leaving money on the table at worst. Data suggests a nationwide average 16% of all transactions fail every month. The activity of chasing down payments can easily distract providers from their mission of delivering great care.



Charge Failure Rate by Location



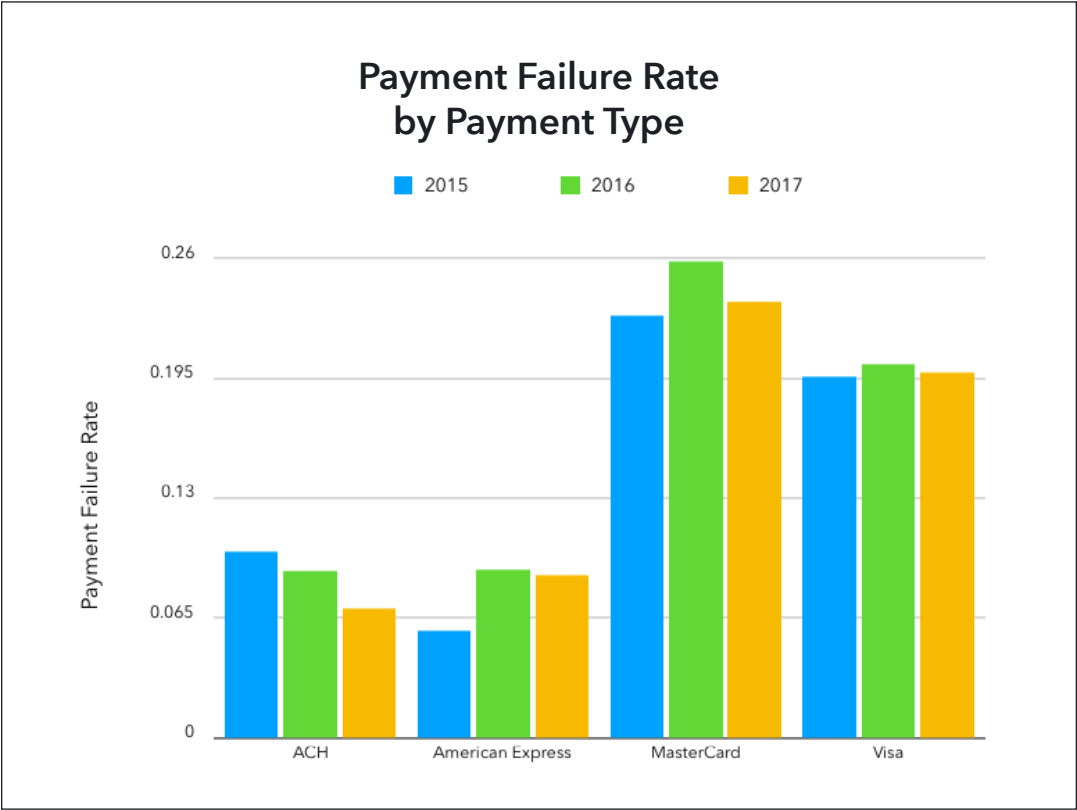
Where Payments Tend to Fail

The failure rate for credit card charges is not evenly distributed. DPC practices in Iowa and Missouri see charge failure rates in excess of 40%. Illinois, the state with the highest success in the study, sees one in fifteen charges fail.

Depending on the region in which your practice operates, you can save an inordinate amount of time by instituting a system with automatic follow up for failed charges—a process referred to in accounting terms as “Dunning”. The dunning process varies between systems, but typically involves automatically retrying the charge after a short period of time, and/or automated contact with the patient to solicit an update for an expired payment method.



Charge Failure Rate by Payment Type

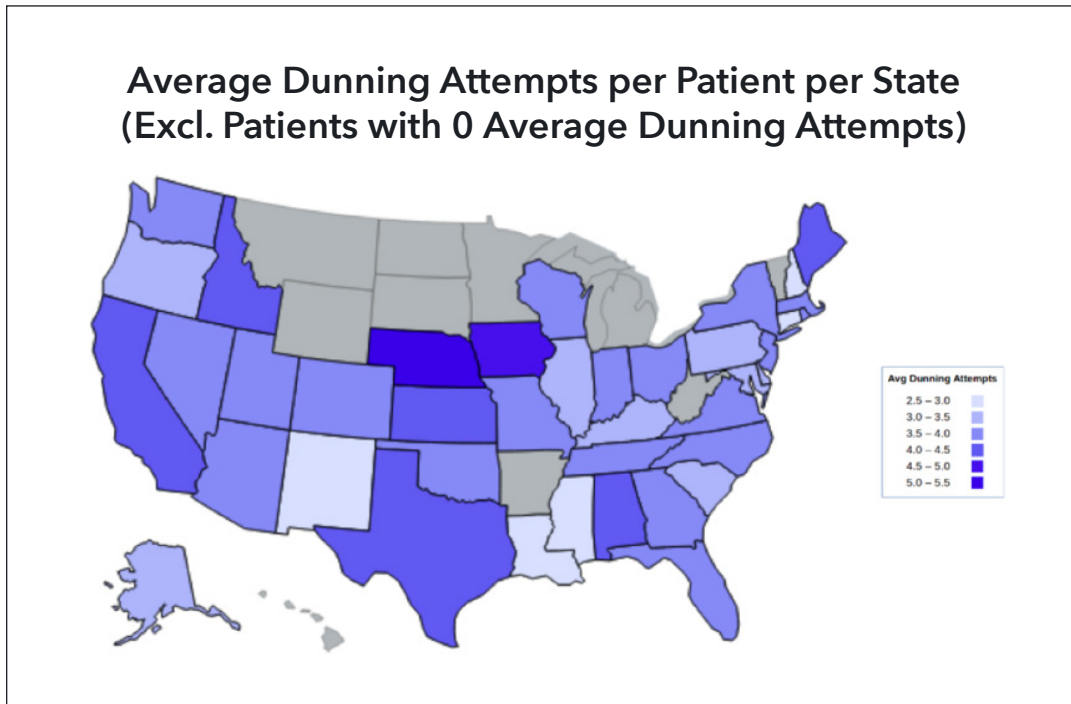


All Methods Not Created Equal

Charge failure rates are not evenly distributed across payment type either, with American Express coming it at less than half the rate of any other major credit card. This data suggests that American Express may be one of the most profitable payment mechanisms, despite the higher merchant processing fees charged by the network. Fewer failures results in fewer payment hassles and more time spent on quality care.



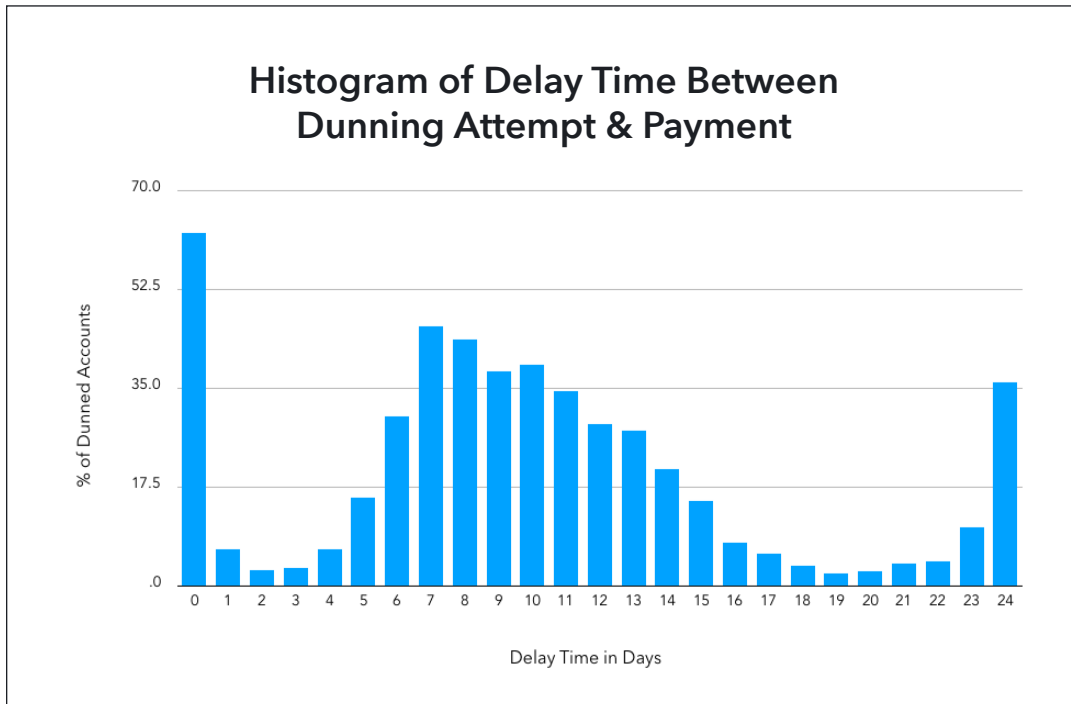
Average Number of Dunning Attempts Per Patient Per State



Watch Out for Problem Patients

While the majority of patients don't require any intervention, some states have higher levels of problem patients than others. This map explores the number of dunning attempts required per patient per month, excluding all patients that don't require any. A dunning attempt is any action needed to rectify a failed payment, including automated email reminders and follow up phone calls. In some regions, chasing down delinquent patients takes a lot of effort.

Average Delay Before Failed Payment Resolution



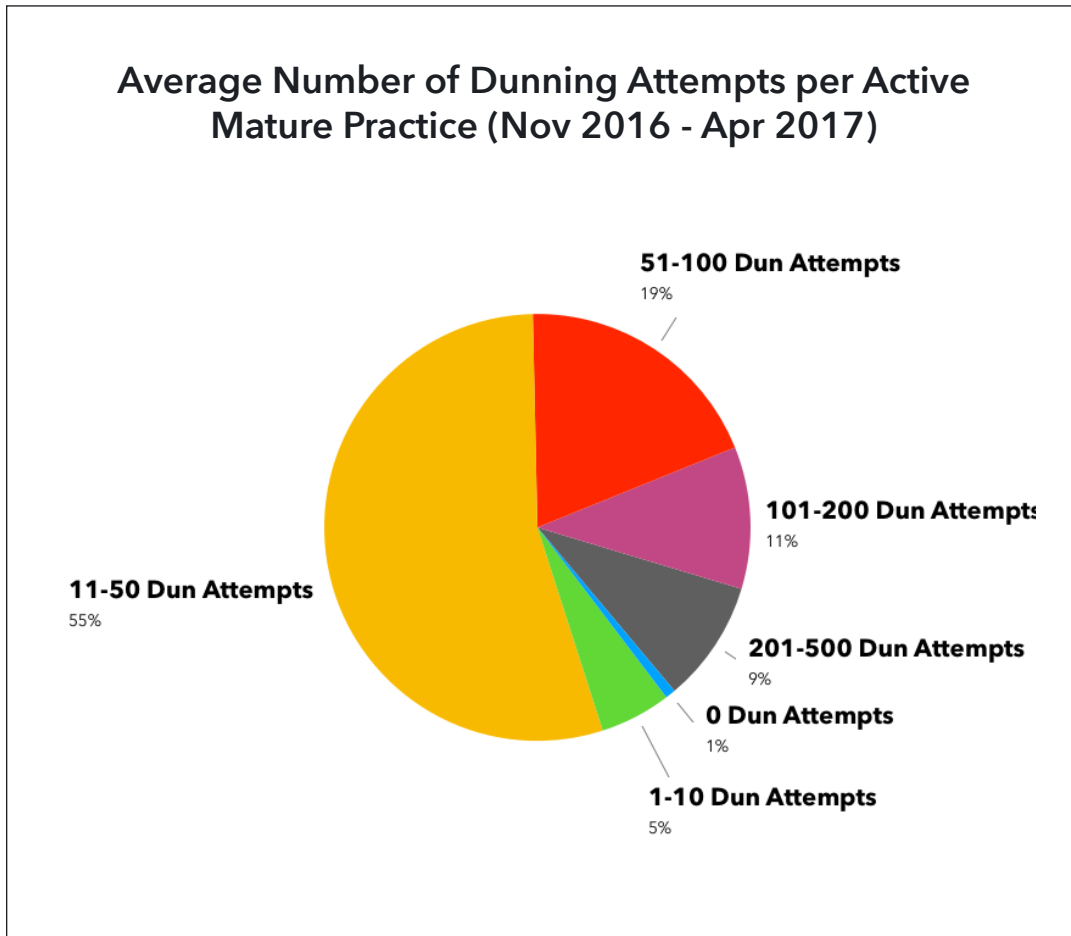
Persistence Pays Off

Practices can solve most of their payment delinquencies by following up immediately after a charge fails. With Hint’s automated dunning, more than half of all failures are resolved the day they occur, and most others are resolved within 24 days with no human involvement.

(Note: This chart sums to >100% because some accounts have multiple payments that are dunned in a 30 day period.)



Average Number of Dunning Attempts per Practice

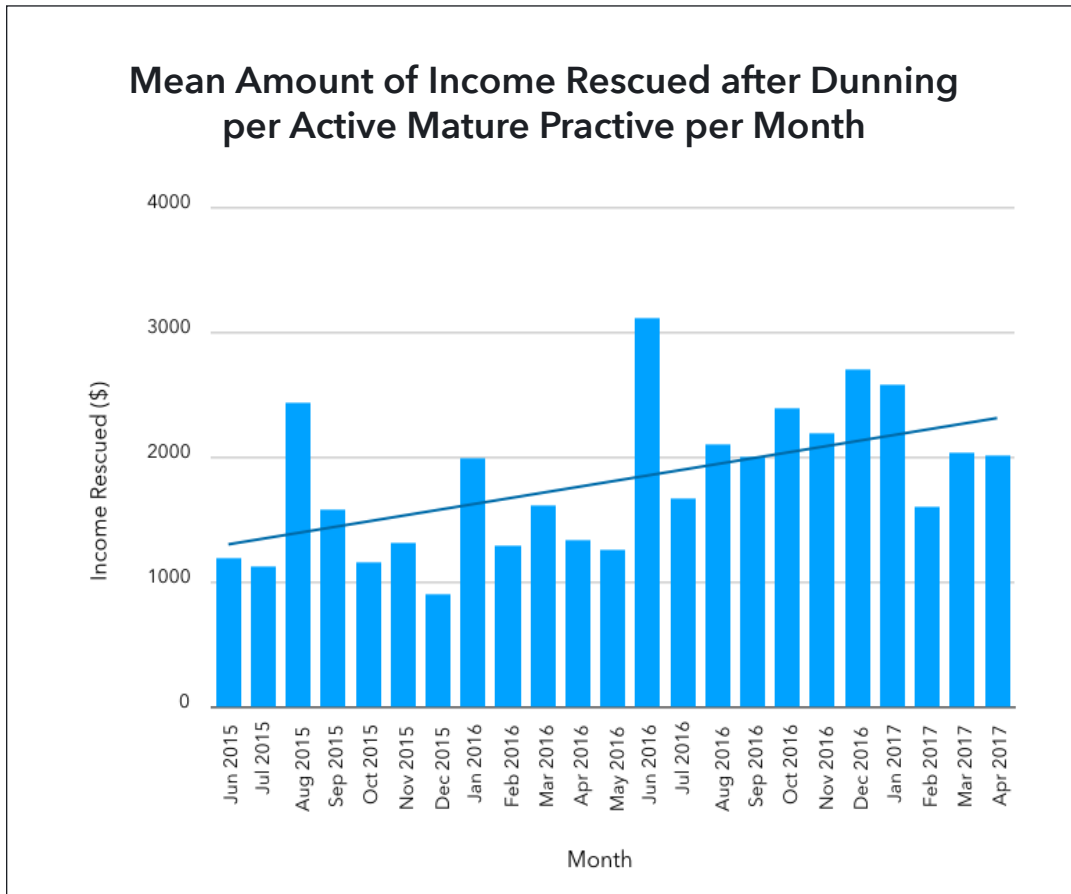


Automatic Dunning Benefits Most Practices

The vast majority of practices require eleven dunning attempts or more in an average month. The labor cost of performing manual phone calls exceeds the amount of money rescued after twelve attempts per month. Thus, it's recommended for practices to implement an automated solution and avoid diverting time from more important operations.



Average Amount of Revenue Rescued by Dunning



A Profitable Addition

Automated dunning is more than just a time saver. It saves money as well. Last year, Hint's system rescued an average of \$29,000 per practice. This translates to approximately one month of revenue for a mature single-provider practice. Practices that implement any form of automated follow up system should expect a sizable return on that investment.



Conclusion

DPC is growing at an impressive rate, with broad appeal across all ages and geographies. With the help of this collective intelligence, practices can accelerate growth by benchmarking their performance against colleagues and increasing their adoption of best practices.

If you are not a Hint practice but would like to contribute to the collection of this information and share in its benefits, please use the link below to take our practice survey and enjoy free lifetime updates on this and other reports.

<https://go.hint.com/dpc-survey>



Hint's mission is to accelerate the adoption of Direct Care. We are grateful to all who share this mission and contribute to its advancement.

Special Thanks To:

Dr. Phil Eskew - *DPC Frontier*

Tom Blue

Bethany Burk - *American Academy of Family Physicians*



