



STATE OF TENNESSEE  
DEPARTMENT OF COMMERCE AND INSURANCE  
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JULIE MIX McPEAK  
COMMISSIONER

TO: Tennessee Healthcare Consumers

FROM: Julie Mix McPeak, Commissioner *Julie Mix McPeak*

RE: Direct Primary Care Agreements

DATE: April 25, 2016

The Tennessee Department of Commerce and Insurance (Department) has observed increased attention surrounding what is commonly referred to as "Direct Primary Care" (DPC) agreements. A DPC agreement is a contract between a physician and patient to provide basic healthcare services for a pre-negotiated monthly, annual, and/or per visit fee. Such arrangements operate independently of a consumer's health insurance plan. In many cases, the promise behind such agreements is strengthening the doctor-patient relationship while eliminating the insurance company as the "middle man."

This Memorandum serves to offer consumers information regarding DPC agreements in comparison to health insurance coverage, and to assist consumers in making informed healthcare decisions. The Department recognizes DPC agreements may be particularly attractive to consumers who do not qualify for state or federal assistance but cannot afford to privately purchase health coverage, or, conceivably, insureds with high deductibles and a significant demand throughout the year for basic health care services but no demand for comprehensive services, such as surgery. However, the Department cautions that DPC agreements may not be suitable for everyone.

The Department offers consumers the following tips to consider when determining whether to enter into a DPC agreement:

- **A DPC agreement does not qualify as health insurance for purposes of the Affordable Care Act's (ACA) individual insurance mandate.** Individuals that enter into DPC agreements, without also purchasing insurance, will not be considered to

have insurance for purposes of the ACA and may be subject to the annual federal tax penalty for not obtaining insurance.

- **Consumers that have an ACA compliant health insurance plan already have coverage for certain preventive care services with no additional cost sharing requirements.** A list of services required to be covered under ACA compliant plans can be located at <https://www.healthcare.gov/coverage/preventive-care-benefits/>.
- The fees paid to a physician under a DPC agreement will not likely be reported, or accepted, by a consumer's health insurance plan. **Therefore, DPC fees will not count towards an insured's annual deductible or out-of-pocket payments.**

The Department neither reviews physician office financial solvency nor the adequacy, or excess, of DPC agreement fees like the Department does insurance company financials and rates.

The Department encourages consumers, insured and uninsured alike, to research all options before selecting the best alternative available to meet their healthcare and financial needs. Consumers should reach out to their insurance carriers or local insurance agents to discuss their specific needs.

Any additional questions regarding the intent of this Memorandum should be directed to the Consumer Insurance Services Section at 500 James Robertson Parkway, Davy Crockett Tower, 6<sup>th</sup> Floor, Nashville, Tennessee 37243 and/or (615) 741-2218.