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How Montana Is Revolutionizing Healthcare—With Markets

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I love Montana for reasons that draw me to the state at least once a year: friends, mountains, wildlife, dry air, and fishing, to name a few. Now I have a new reason to love it: *Healthcare freedom*.

Earlier this year, Gov. Greg Gianforte signed a bill that promises to expand a health care model known as Direct Patient Care (DPC). Increasingly fed up with red tape, paperwork and meddlesome third-party rules—especially since passage of Obamacare—a growing number of physicians are opting to bypass both government and insurance companies. Under a DPC arrangement, patients pay doctors directly through monthly membership fees or for specific services rendered.

(Note: In other states, where this delivery model is more limited than it now is in Montana, it is commonly referred to as "Direct Primary Care.")

Monthly fees for membership-based DPC practices average well under $100 and they typically cover all in-office appointments, services, tests, and online consultations. In the July 2021 issue of *Reason* magazine, Dr. Lee Gross of Epiphany Health DPC in Florida remarks that "About 85 percent of all health care delivery in the country can be managed at a primary care level, so that is really the bulk of health care delivery in our country."

When physicians and patients deal directly with each other, physicians "are able to charge less than traditional practices," writes Mark McDaniel, "because the lack of coding and billing means they don't need to hire support staff." The savings are enormous—cutting health care costs, some say, by more than half. In *The Cost-Savings for Direct Primary Care Patients*, Krystle Thornton writes,

Many DPCs also include laboratory and x-ray services in the basic monthly fee and offer reduced prices on prescription drugs and other healthcare services. DPCs do not accept insurance but generally encourage patients to maintain high deductible, catastrophic insurance….A recent article in Consumer Reports states that DPCs "can be cost-effective and

convenient for people with chronic health problems that need close monitoring, such as diabetes, high cholesterol, and hypertension."

Moreover, a typical DPC patient benefits from a closer relationship and more personal time with his or her doctor than under conventional arrangements. *(See the articles in the recommended readings below for more details).*

The greatest drag on the DPC model is the threat of government red tape and regulations at the federal and state levels, as well as pressure from those with a vested interest in the high-cost, less-than-transparent status quo. Montana's new law clears the decks of a lot of that rigmarole, and it goes further than any other state so far by opening the door for dentists, mental healthcare providers and other specialists to offer direct options to their patients.

One of the champions of the bill signed by Governor Gianforte was the Frontier Institute, based in Helena. I serve as a member of the Institute's board of directors, so I am especially proud of its key, educational role in this landmark legislation. Our CEO, Kendall Cotton, says that "DPC has proven to be a transparent, low-cost, quality-care option for Montanans struggling from surging medical expenses. This reform makes our state a national leader in affordable healthcare options that bypass paperwork and bureaucracy and put doctors and patients in charge." (Major credit is also due to Montana State Senator Cary Smith, whose longstanding support for these reforms proved decisively influential.)

The Frontier Institute is a little more than a year old but is fast becoming a model of how even a small think tank can make a huge difference. A friendly new governor and legislature embraced many of Frontier's suggestions this year. Governor Gianforte says he wants "to make Montana a sanctuary for freedom and free markets"—a goal the Institute is well positioned to help achieve.

Between 2017 and 2021, eight new DPC clinics had opened in Montana; that number is now expected to grow substantially under the new legislation. There are signs that doctors may start moving to Montana where they can utilize the DPC model more freely.

A dermatologist named Dr. Kathleen Brown, a long-time Facebook friend of mine, is a case-in-point. (I finally met her in person in Helena last month.) She is precisely the sort of medical entrepreneur the new Montana law seeks to encourage.

Born in Virginia, Kathleen earned her undergraduate degree at the College of William and Mary, where she majored in both biology and music. She completed two residencies and served on the faculty of Johns Hopkins University School of Medicine. She, her two daughters and husband Jack, who built several retail businesses, moved to Oregon in 1997, where Kathleen practiced both Internal Medicine and Dermatology at a clinic in Coos Bay.

In 2011, Kathleen struck out on her own by opening her own practice, Oregon Coast Dermatology. She opted for a three-tier fee schedule instead of memberships but the broad concept of her specialty practice was the same—a direct payment relationship between patient and doctor with no middlemen or bureaucracy. As she told me in her own words,

I ditched all the third-party payer intrusion and arbitrary pricing so I could more easily customize my practice to what patients needed. I had a beautiful facility with a wonderful laser, surgery suite, phototherapy, digital mole mapping, lab, etc. I opted out of Medicare, disenrolled from Medicaid, and did not participate with any insurance companies. Medical services were priced by time spent with me, (with overhead bundled in), on a three-tier fee schedule, depending on type of service. The fee schedule was posted online and in the lobby.

Many people, especially doctors, said that it would never work, partly because we were in a non-affluent area, and people wouldn't pay. However, within two months, my schedule was completely full, including people without insurance, those with high deductibles, and even many with rich medical benefit plans. Many of these people were not likely to get any reimbursement from insurance or government plans when they saw me, but they came anyway, and paid at the end of the visit. If it didn't suit them, they went elsewhere. In almost eight years, only five visits were paid incompletely, and I never had anyone who failed to pay something. I never used a collection agency. I never mailed out any bills. The total amount that was short-paid was around a mere $500.

Within the first year, I was so busy that I started a once-weekly walk-in clinic, on a first-come, first-serve basis, for access. People came from hours away, waited their turn often for hours, and then said "thank you" to us for getting them in. I also had a half day each month, billed at a reduced rate of $10 or $20 for a visit, for people I knew to be struggling financially. Patients were so wonderful in this practice; it put everything on a very personal and accountable basis.

Kathleen notes that a membership model is not the only way to do direct care, and that membership models are not usually the best fit for specialist practices such as hers. She prefers the term "Direct Pay" to describe the model she uses.

With third parties (government and insurance companies) out of the picture, running her own practice was a liberating experience for Kathleen. She could be a full-time doctor without the rigmarole.

Nonetheless, Montana beckoned. She first fell in love with the state in 1977 during a summer job there as an 18-year-old college student. While in Oregon after 1997, she found time to visit more often.

Oregon was a "a beautiful state with many nice people," she says, but "because of the high state income and property taxes, as well as the generally unfriendly business and political climate, it was time to move on." In 2019, she closed her practice and moved with Jack to the Treasure State, also known as Big Sky Country. According to Cato Institute's most recent *Freedom in the 50 States* ranking, the Browns left a state rated #44 for a state decisively freer, at a healthy #16. The Frontier Institute expects that ranking to improve even further, in which case I too will spend more time there.

Referring to the deregulation the Frontier Institute supported, Kathleen told me, "The recent changes in the Montana laws seem too good to be true!" So as you read this, she and Jack are in

the process of starting another dermatology practice in her newly-adopted state. Here's how she describes her plans:

This time, it will be scaled down and mobile, to take specialty care to locations that are underserved. Not only do we wish to provide needed care that fills in gaps; we wish to serve as a model for other specialists. We think this will appeal particularly to those like me who do not wish to be an employee or practice fulltime, but who wish to enjoy the spectacular state of Montana in the latter part of their career. We think this will match up those who need medical care with those who wish to practice medicine as it should be, with high quality and affordability in a customized, personalized manner.

If direct pay models were to become commonplace—in primary care as well as in the kind of specialty care that Kathleen provides—it would empower and liberate both patients and doctors and do more to bring down costs than perhaps any other healthcare reform. Insurance would deal then with only catastrophic expenses, meaning that premiums would fall. Seems like common sense, but plenty of regulatory and ideological barriers remain. People who want bureaucrats in charge of your healthcare will resist any advance in the direct pay model.

In the *Reason* interview referenced above, Dr. Lee Gross hints at the potential:

The first time I went to Washington and made a presentation on direct primary care, I gave it to a group of physicians, and after I gave my presentation on our practice and what we were doing, a doctor raised his hand and said, "You are charging $80 a month. What happens if some doctor sets up right next door to you and charges $40 a month?" I said, "That's an excellent question, because if the first question out of the audience is 'What are we going to do when we bring down the price of health care?' we're onto something.…

So if we're looking for the ideal health care system, we want to see three pillars. We want to see lower cost, better quality, and more choices. You cannot have all three of those in a government-run system. You can only have those in a free-market capitalist system.

Good luck in your new practice in Montana, Kathleen Brown! I have no doubt you will succeed once again and prove that making Montana "a sanctuary for freedom and free markets" is a win-win for everybody.