hint health

Trends in Direct Primary Care 2022

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KEY TAKEAWAYS

The existing fee-for-service insurance paradigm and associated complexity is one of the major factors contributing to the unsustainable healthcare system in the United States. The confluence of provider burnout, patient dissatisfaction, ballooning employer costs, and regulatory progress has created conditions favorable to the accelerated growth of Direct Primary Care (DPC), a young but growing movement centered on the doctor-patient relationship and funded through direct, subscription-based payments. While this movement has been alive and well for decades, relatively little data-driven evidence is publicly available to demonstrate growth.

The Hint Health Data Analytics team compiled data from over 3,500 DPC clinicians and their 800,000 members into this report to better understand how this movement has grown and changed over time.

A few takeaways from this research:

241%

DPC membership across the U.S. has increased 241% from 2017 to 2021. The states with the highest number of active DPC members per 100K people are Utah, Indiana, and Idaho.

21%

DPC membership increased 21% during 2020 whereas fee-for-service, adult primary care visits decreased 10% showing the resilience of DPC in the face of COVID-19.

159%

From 2017 to 2021, the number of active DPC clinicians per 100K people has increased 159% compared to only a 6% percent increase in the number of active Primary Care Providers (PCPs) per 100K people.

4.5x

DPC clinicians with employer-sponsored members experience 4.5 times more growth in members than DPC clinicians with retail-only members.

40 states

From 2019 to 2021, DPC Networks doubled their geographic footprint by expanding their presence from 20 to 40 U.S. states.

548%

DPC practices that join a network experience 548% growth in members after three years compared to 255% growth among non-affiliated practices.

WHY THE HINT DPC TRENDS REPORT

Healthcare trends make it clear that this industry is at an inflection point. As Warren Buffett so famously stated in 2017, healthcare costs are the "tapeworm of American economic competitiveness." As a whole, the U.S. continues to spend much more and yet still get less for its healthcare dollar than other developed countries. The overwhelming complexity of the existing fee-for-service insurance paradigm is one of the major factors contributing to the unsustainable healthcare situation in the U.S.: Costs to administer the system are high, incentives are distorted, and pricing is an opaque "black box."

The fee-for-service system incentivizes clinicians to earn more revenue by delivering a higher volume of potentially low-value services. The complexity and lack of transparency drive payers to cover fewer services to control costs. Patients forgo care due to limited access, increasing and unknown expense, and growing complexity. Administering this model has resulted in convoluted systems of prior authorizations, extensive documentation and coding, charges, discounts, allowables, and patient liability. This mass of processes and its chain of intermediaries have distorted the basic market forces that enable price discovery and efficiently influence supply and demand, leaving us with the broken U.S. healthcare system of today.The confluence of provider burnout, patient dissatisfaction, ballooning employer costs, and regulatory progress has created conditions favorable to the accelerated growth of Direct Primary Care (DPC).

DPC is a young but growing movement founded by grassroots innovators. Clinicians partner with their patients, focusing on the healthcare provided, rather than the administrative burden associated with traditional healthcare. At its heart DPC is a subscription-based model of primary care that typically meets the following criteria:

- Payment is based on a periodic, often monthly, membership and is rendered by the patient or employer directly to the clinician for near-unlimited access to primary care services.
- For more common but less predictable services outside primary care, there are pre-negotiated, transparent prices and cash-based payment options.
- For infrequent and more expensive services, patients are encouraged to have appropriate insurance coverage.

While both the supply of DPC clinicians and demand from patient members continues to grow year over year, relatively little data-driven evidence is publicly available to confirm this and provide insights into the DPC market. As a result, 68% of consumers surveyed in the 2021 Hint Health DPC Consumer Insight Survey had not heard of DPC. This report compiles available evidence to better capture the true impact and potential of DPC.

WHAT YOU'LL FIND IN THIS REPORT

All data in this report were analyzed by the Hint Health Data Analytics team using published articles and studies, the U.S. Census, and two proprietary data sources managed and analyzed by Hint Health: the Hint Health DPC Consumer Insight Survey and the Hint Health Database that stores our HintOS product data.

The Hint Health DPC Consumer Insight Survey was a nine-question survey conducted by the market research firm Dynata in September 2021. The survey sample consisted of 1,000 U.S. consumers aged 25 and over from Dynata's pool of 31 million consumers.

The Hint Health Database contains the largest dataset with information on the economics and development of Direct Primary Care. The sample used in this report includes over 3,500 clinicians, plus 800,000 members from accounts on the HintOS platform that meet the following criteria:

- Have an account on HintOS with at least one paying member any time from Jan 1, 2017 - Dec 31, 2021
- Have a direct financial relationship with patients or employers via recurring membership subscription and do not charge insurance for those services.
- Provide care within the United States or its territories

The report is divided into three sections:

1. **Demand Side Trends**: Individuals and employers accessing DPC

2. **Supply Side Trends**: Clinicians and DPC Networks enabling DPC

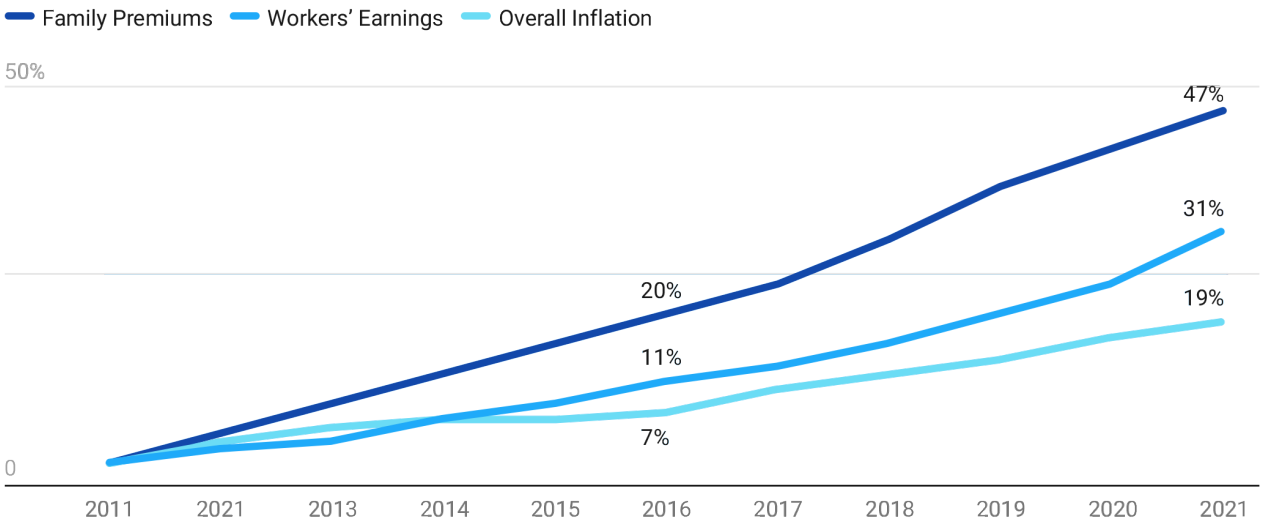
3. **DPC Regulatory Trends**: The laws and regulations governing how and where DPC can operate

In each section, you'll find an overview of the current state of the industry and how DPC has grown over time according to HintOS data.

Demand Side Trends

CURRENT STATE OF U.S. HEALTHCARE

The relentlessly high cost of healthcare in the United States continues to negatively impact Americans. In the Hint Health DPC Consumer Insight Survey, 63% of private healthcare consumers ranked the cost of care as the most dissatisfying aspect of their current healthcare option. The 2021 Kaiser Family Foundation Employer Health Benefits Survey revealed that family premiums for employer-sponsored health insurance reached $22,000 in 2021. This translates into a 47% increase in premiums compared to only a 31% increase in earnings since 2011, meaning health insurance costs have steadily outpaced income growth and inflation.



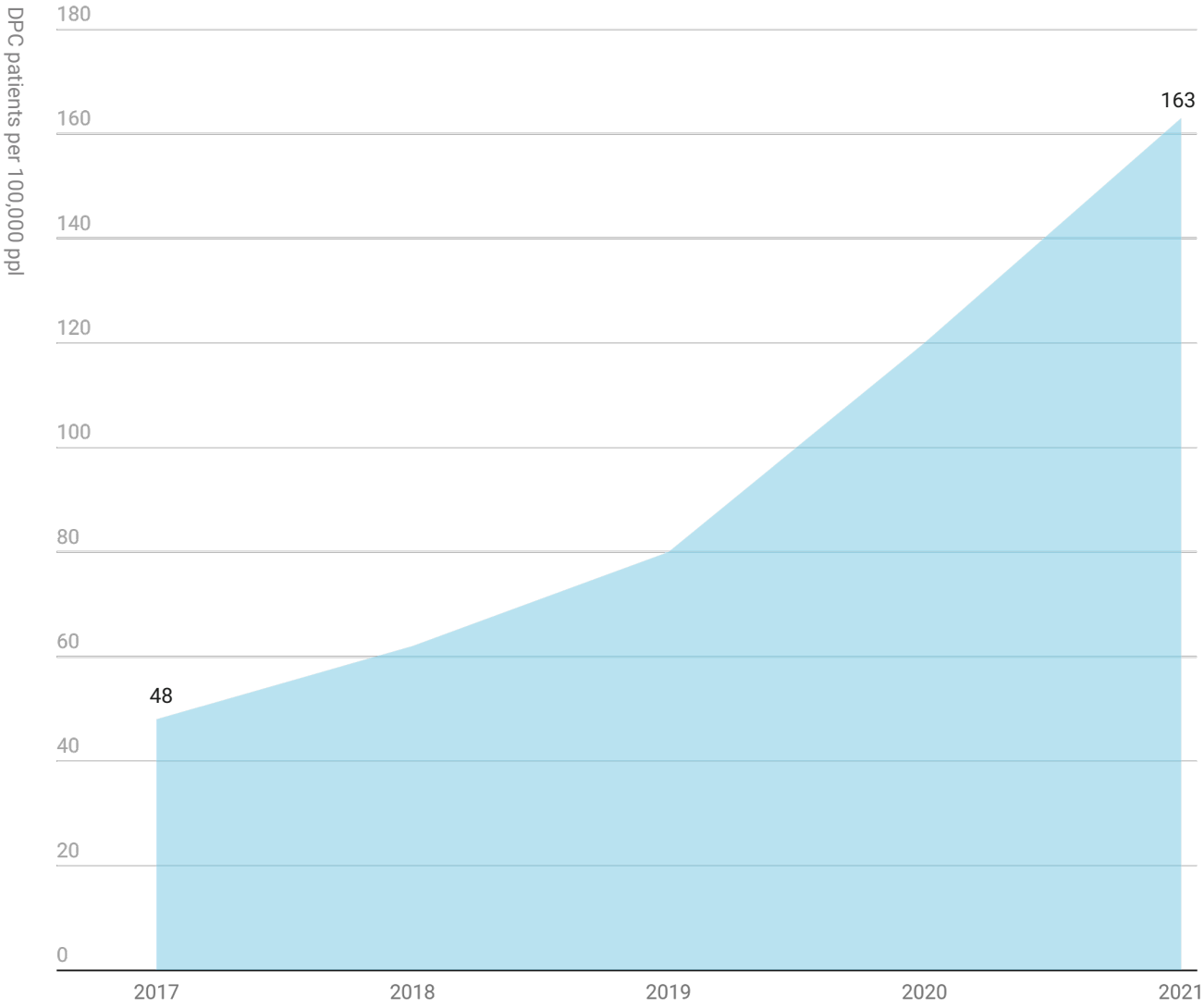
Source: 2021 Kaiser Family Foundation Employer Health Benefits Survey

High costs have led to an underutilization of needed services: One in 4 people indicated they avoid medical treatment altogether because they are unsure what their health insurance covers. In the worst case scenario, those who do seek care are saddled with crippling debt. A 2019 study published in the American Journal of Public Health found that "66.5% of bankruptcies were tied to medical issues – either because of high costs for care or time out of work." Debt pushes patients to crowdfunding in a last-ditch effort to avoid bankruptcy, with one-third of donations on popular crowdfunding site GoFundMe going toward medical costs, totaling approximately $650 million in 2019.

GROWTH IN DPC MEMBERS

The increased appetite for DPC is reflected in consistent, strong membership growth over time from 48 DPC members per 100K Americans in 2017 to 163 in 2021, translating into a 36% average annual increase or a 241% total increase over four years (Fig. 1).

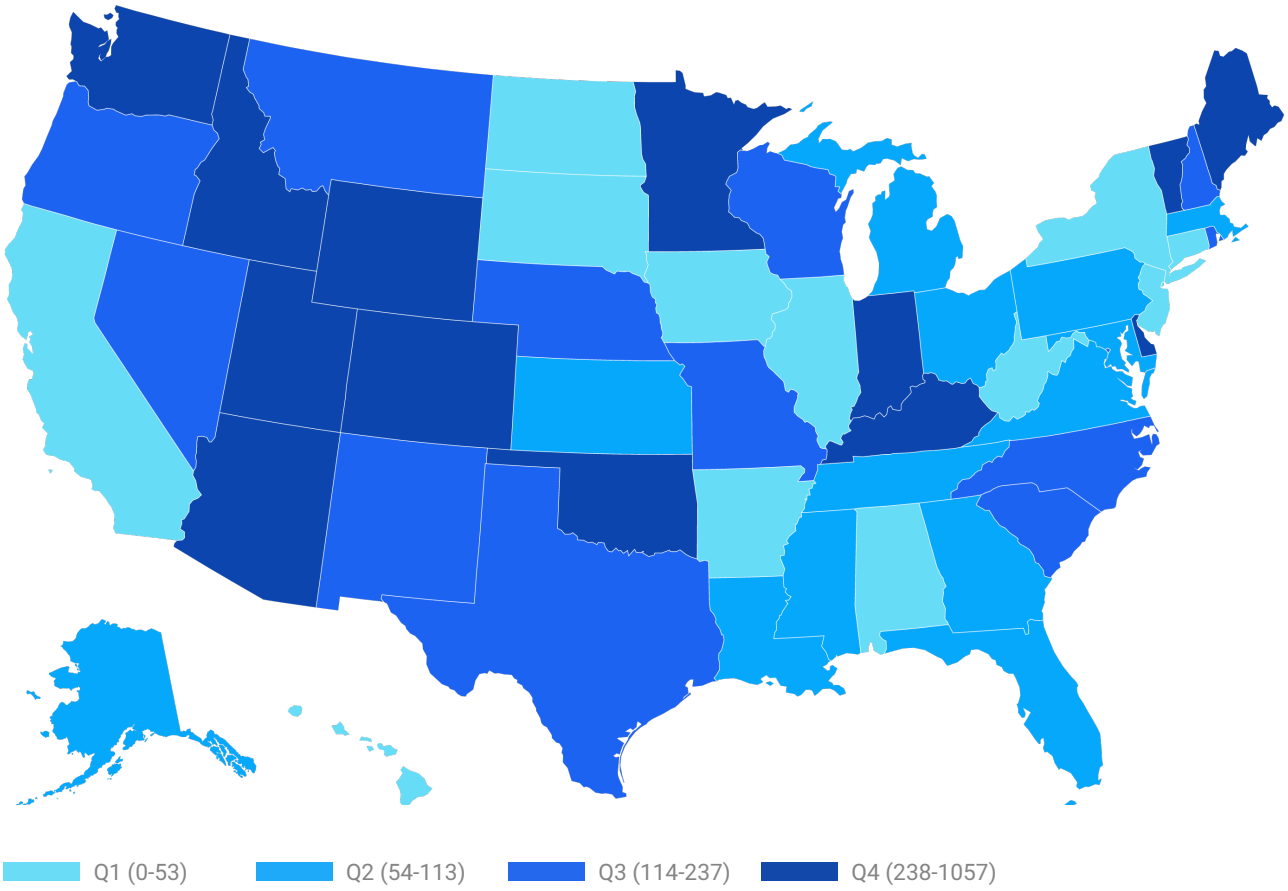
FIG. 1:
ACTIVE DPC MEMBERS[1] PER 100K PEOPLE[2] IN THE U.S. FROM 2017-2021



Source: 1) Hint Health Database 2) U.S. Census
Note: Active DPC member is any patient with an active DPC membership at some point during the census year.

The states with the highest number of active DPC members per 100,000 people in 2021 are Utah (1,056 DPC members per 100K people), Indiana (848), and Idaho (791, Fig. 2).

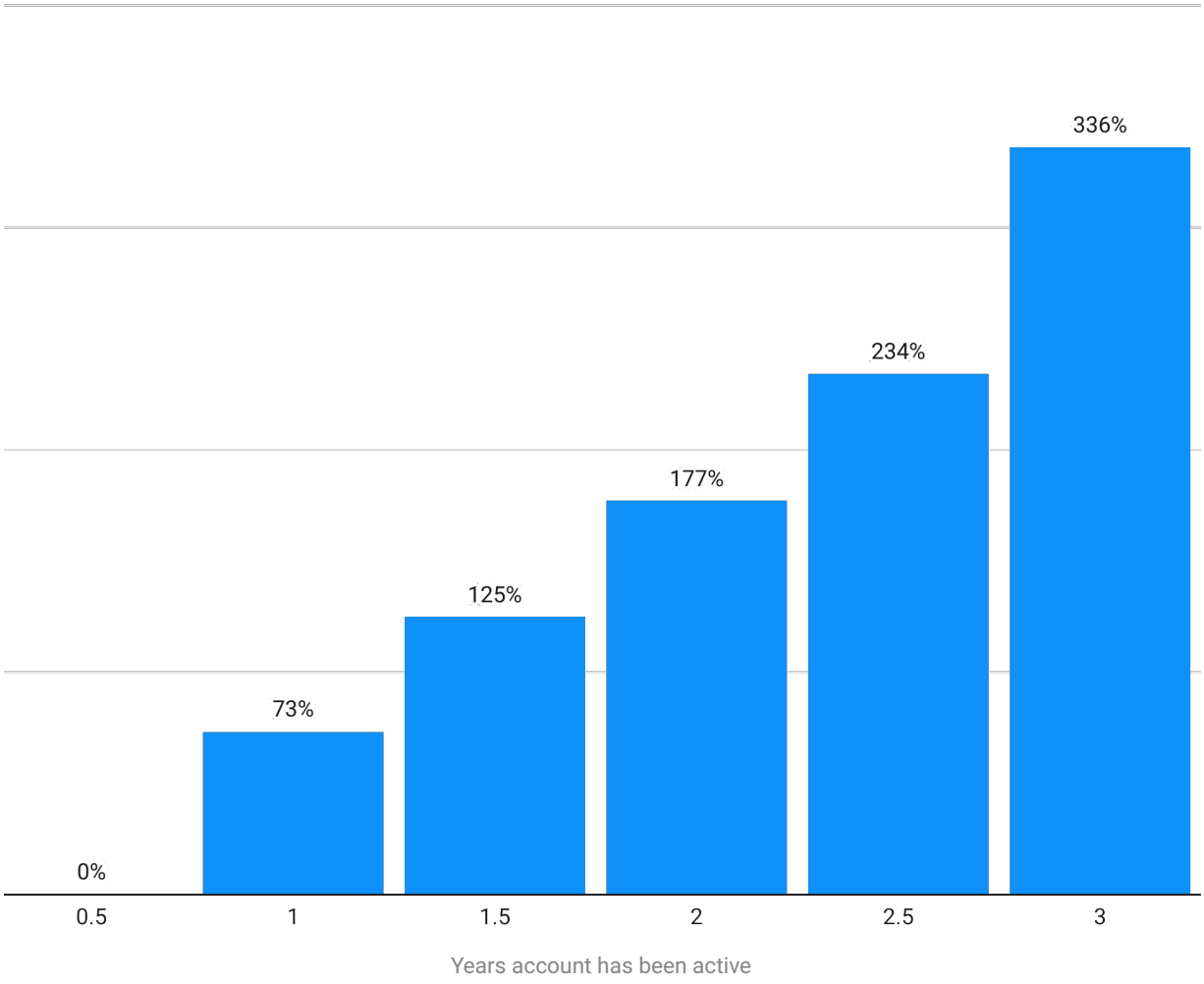
FIG. 2:
ACTIVE DPC MEMBERS[1] PER 100K PEOPLE[2] IN THE U.S. IN 2021 BY STATE & QUARTILE



Source: 1) Hint Health Database 2) U.S. Census
Note: Active DPC member is any patient with an active DPC membership at some point during the census year.

The chart below shows the continued growth of members at a practice level. After three years active on HintOS, the median increase in members per practice is 336% (Fig. 3).

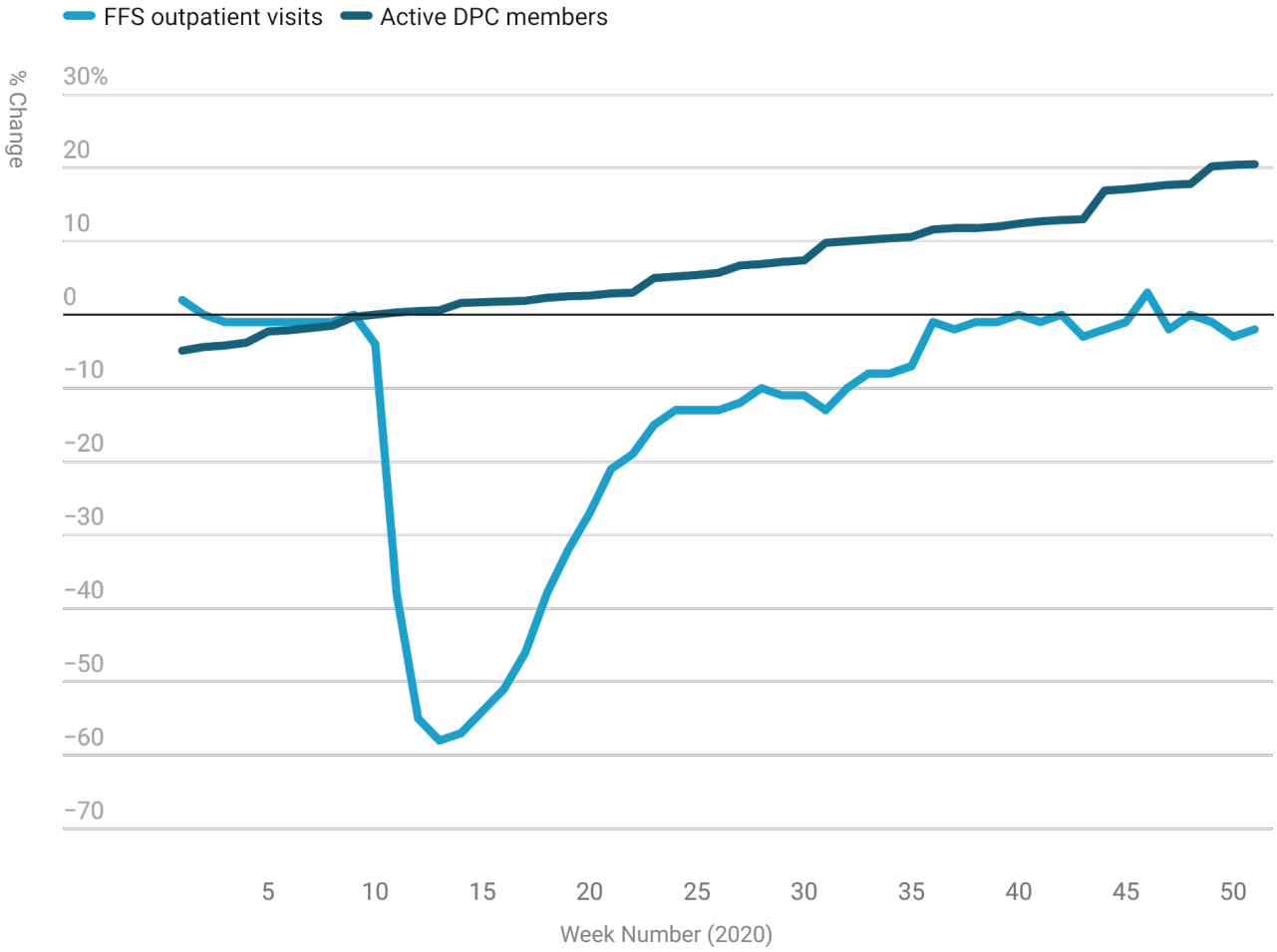
FIG. 3:
MEDIAN PERCENT CHANGE IN DPC MEMBERS PER PRACTICE FROM MONTH SIX AND SEMI-ANNUALLY AFTER



Source: Hint Health Database
Notes: Active DPC member is any patient with an active DPC membership at some point during the time period. Only includes established DPC practices that have been active for at least 6 months to account for any increase in members resulting from account setup.
This figure was updated May 26, 2022 with more accurate data to represent median percent change in members over time.

This growth persisted during the COVID-19 pandemic when DPC practices withstood the uncertainty and income shock experienced by other models of care. The figure below compares DPC membership data to fee-for-service outpatient visit data collected by Harvard University and Phreesia in 2020. Among the 50,000+ providers analyzed, visits dropped 60% in June 2020 alone, and adult primary care visits declined 10% over the course of the year. In comparison, DPC membership actually increased by 21% over that same period, demonstrating the true value of the model for both patients and clinicians (Fig. 4).

FIG. 4:
PERCENT CHANGE FROM PRE-COVID IN OUTPATIENT VISITS[1] AND DPC MEMBERS[2] BY WEEK



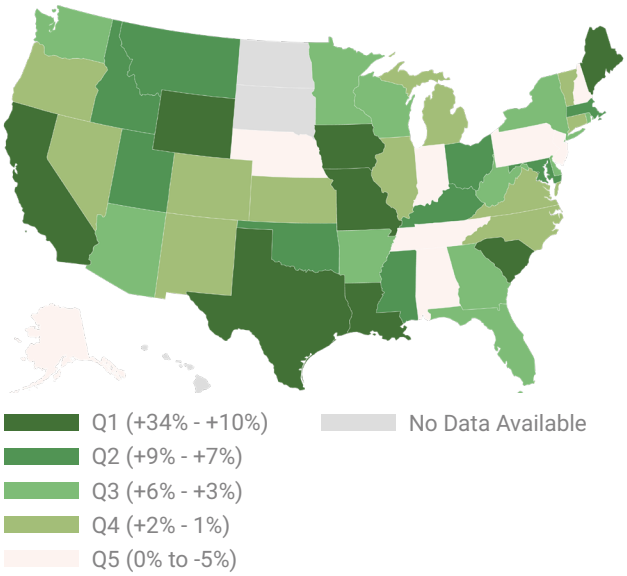
Source: 1) Ateev Mehrotra MD, MPH, Harvard Medical School, Commonwealth Fund, Feb. 2021, 2) Hint Health Database
Note: Percent change calculated as # in a given week / # in pre-Covid baseline week of March 1-7, 2020 (week #10)

A similar trend is seen at the state level. All 50 states experienced a decline in fee-for-service outpatient visits in June 2020, according to an analysis of 16 million Medicare Advantage or insurance holders published in JAMA Internal Medicine in November 2020. In contrast, all but nine states experienced positive growth in DPC members, meaning most U.S. states had more active DPC members in June 2020 compared to before the COVID-19 pandemic. The three states with the highest growth in DPC members were Iowa with 34% growth, Texas with 18%, and South Carolina with 17%. These examples all demonstrate the resilience and continued attractiveness of the DPC model during a time when patients need healthcare the most (Fig. 5).

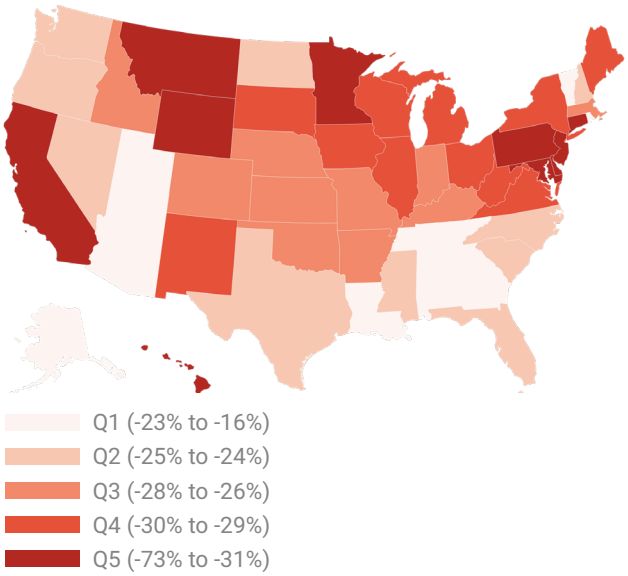
FIG. 5:
GROWTH RATE FROM PRE-COVID TO JUNE 16, 2020, BY STATE AMONG DPC MEMBERS[1] AND FEE-FOR-SERVICE OUTPATIENT VISITS[2]

	Growth in DPC Members	Decline in FFS Outpatient Visits
Iowa	+34%	-29%
Texas	+18%	-25%
South Carolina	+17%	-24%

AMONG DPC MEMBERS



AMONG FFS OUTPATIENT VISITS



Source: 1) Hint Health Database, 2) Sadiq Y. Patel, PhD, MS, MSW, Harvard Medical School, JAMA Internal Medicine, Nov. 2020.
Notes: Growth rate calculated as (# in study period - # at baseline) / # at baseline. Pre-COVID Baseline is February 12 to March 10, 2020. Study period is May 20 to June 16, 2020

STATE OF EMPLOYER-SPONSORED HEALTHCARE COVERAGE IN THE U.S.

According to the 2020 Census, 91.4% of Americans had health insurance coverage in 2020. Furthermore, 54.4% had health coverage through their employer, making it the largest source of coverage. According to a survey conducted in 2021 by Marathon Health, 80% of employees and 70% of employers stated healthcare was the most important employer benefit. More specifically, the AHIP Employer-Provided Coverage Consumer Survey conducted in 2021 found that 53% of consumers reported preventive care is the benefit that matters most. Employers are well aware of the large role health care coverage plays in employee retention and are constantly striving to make the benefit more competitive.

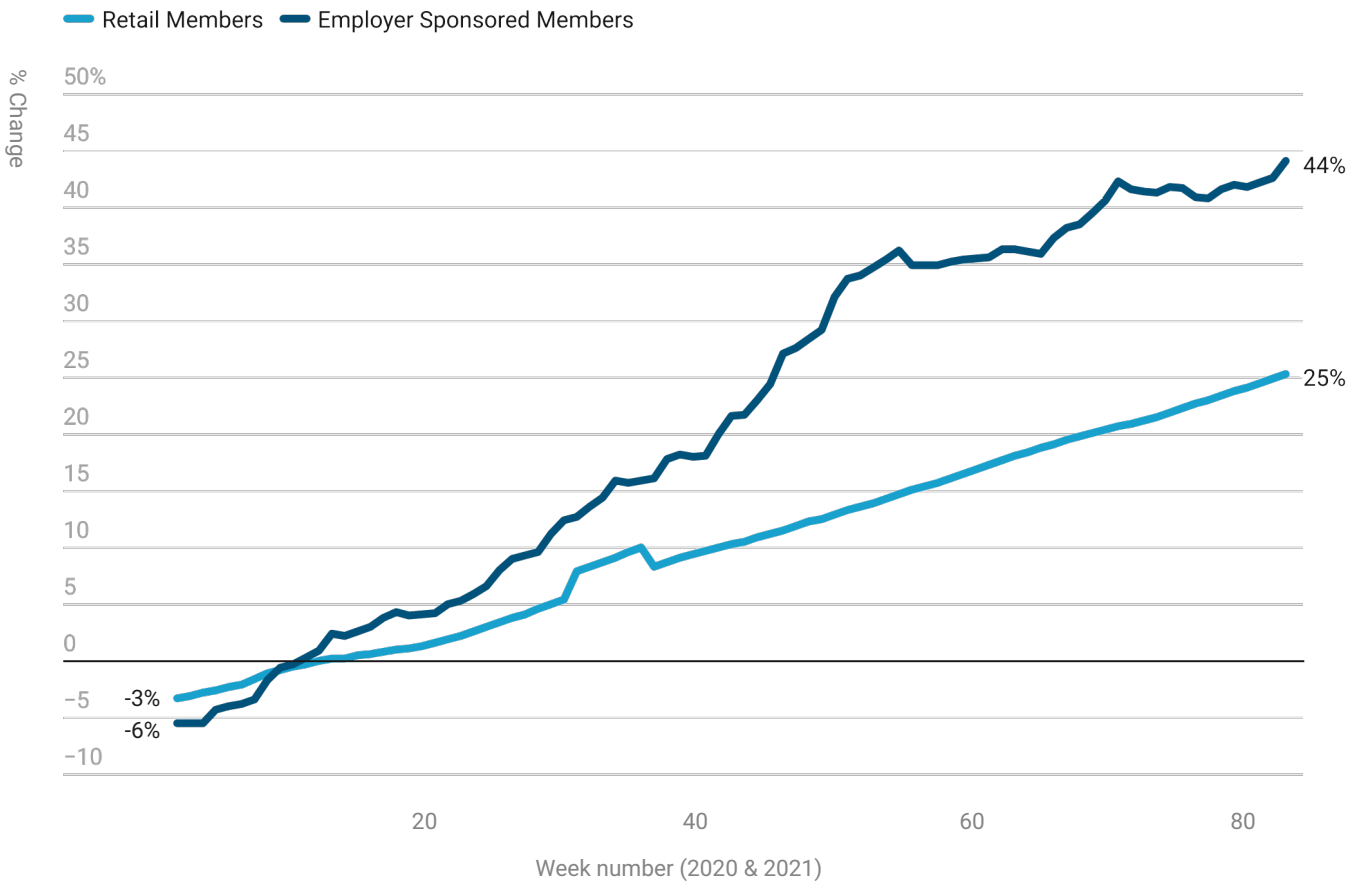
With that said, already high and rising prices make this harder and harder to achieve. In 2021, employer-sponsored health plans experienced the highest annual increase in per-employee costs since 2010 at 6.3%, as employees and their families resumed the care delayed throughout the COVID-19 pandemic. As health care costs continue to outpace growth in the rest of the economy and cost containment efforts fall short after years of investment in fee-for-service insurance, employers are looking for alternatives. A 2018 survey conducted by WillisTowersWatson found that 22% of respondents would employ a direct contracting strategy, with at least 8% of large employers already having one or more self -funded health plans reporting they have a direct contract. After learning about DPC, the Hint Health DPC Consumer Insights Survey found that 83% of those surveyed would sign up if DPC was provided through their current or future employer, with those under 45 years old and with kids at home the most likely to sign up.

GROWTH IN EMPLOYER-SPONSORED DPC MEMBERS

More employers now embrace the value of strong primary care for employee wellness. As of December 2021, just over half (51%) of memberships on HintOS were paid for by an employer. For DPC clinicians this shift has translated into strong member growth: Those with employer-sponsored members experience 4.5 times more growth in members than clinicians with just retail-only members.

Employer-sponsored DPC memberships especially accelerated during the COVID-19 pandemic. While both retail and employer-sponsored members grew significantly throughout the COVID-19 pandemic, employer-supported members increased by 44% from pre-COVID-19 to September 2021, compared to a 25% growth in retail memberships (Fig. 6).

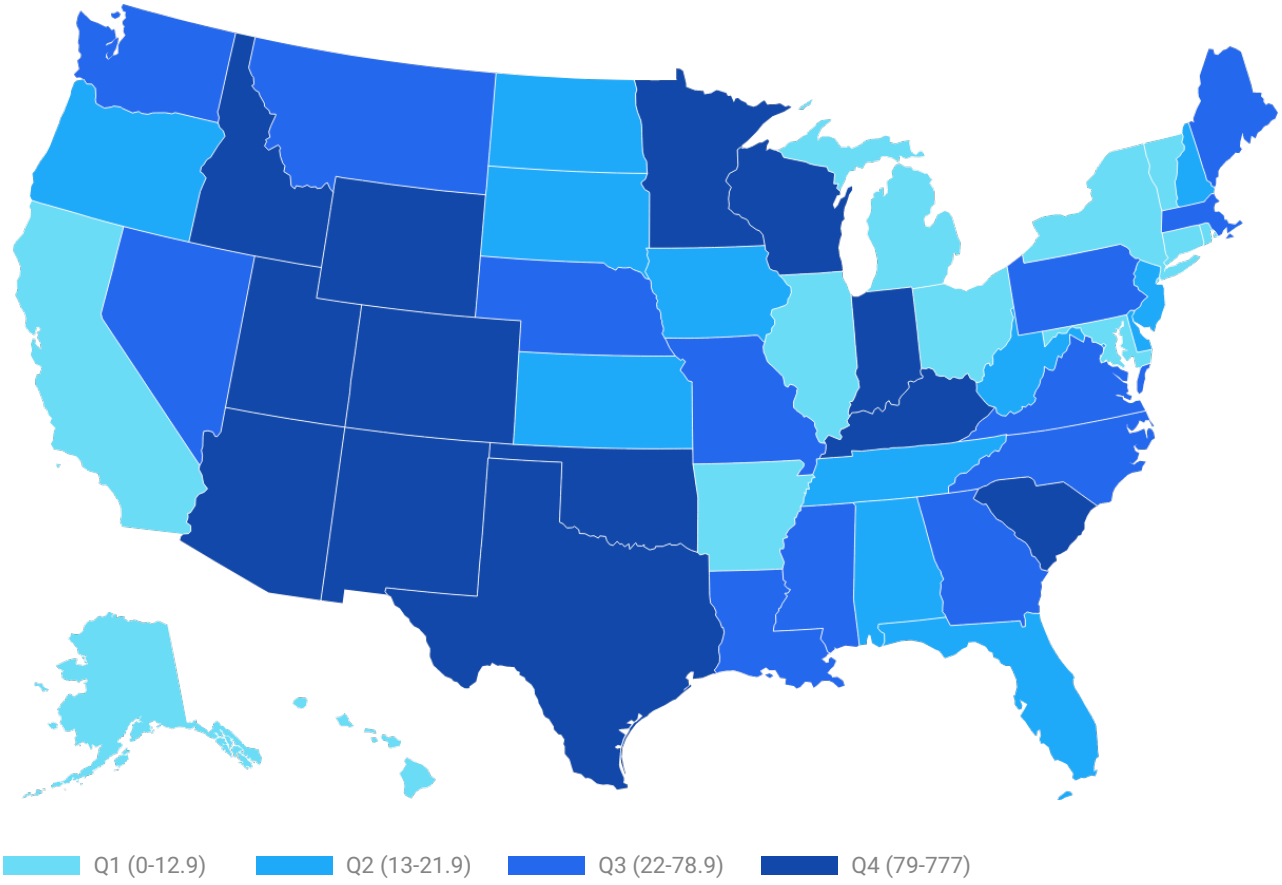
FIG. 6:
PERCENT CHANGE FROM PRE-COVID IN EMPLOYER-SPONSORED DPC MEMBERS AND RETAIL DPC MEMBERS BY WEEK[1]



Source: Hint Health Database

Geographically, the states with the highest number of employer-sponsored members per capita in 2021 were Utah (777 employer-sponsored members per 100K people), Indiana (744), and Minnesota (675). The lowest were Connecticut (2.9), Rhode Island (3.0), and Hawaii (3.3, Fig. 7).

FIG. 7:
ACTIVE EMPLOYER-SPONSORED DPC MEMBERS[1] PER 100K PEOPLE[2] IN THE U.S. IN 2021.



Source: 1) Hint Health Database 2) U.S. Census
Note: Active, employer-sponsored DPC member is any patient with a DPC membership that is paid for by an employer and is active at any point during the census year

The number of companies who offer DPC memberships has consistently increased since 2017, reaching over 4,000 distinct companies in 2021. When looking at the size of employers with enrolled DPC members, 57% have fewer than 10 enrolled members and 4% have more than 250 enrolled members, which shows DPC has historically been best positioned to serve smaller businesses (Fig. 8). With that said, companies with more than 250 enrolled DPC members constitute 57% of all enrolled, sponsored members, showing the opportunity of increased DPC adoption by contracting with larger employers (Fig. 9).

FIG. 8:
NUMBER OF ACTIVE SPONSORS IN THE U.S. BY EMPLOYER SIZE IN 2021.

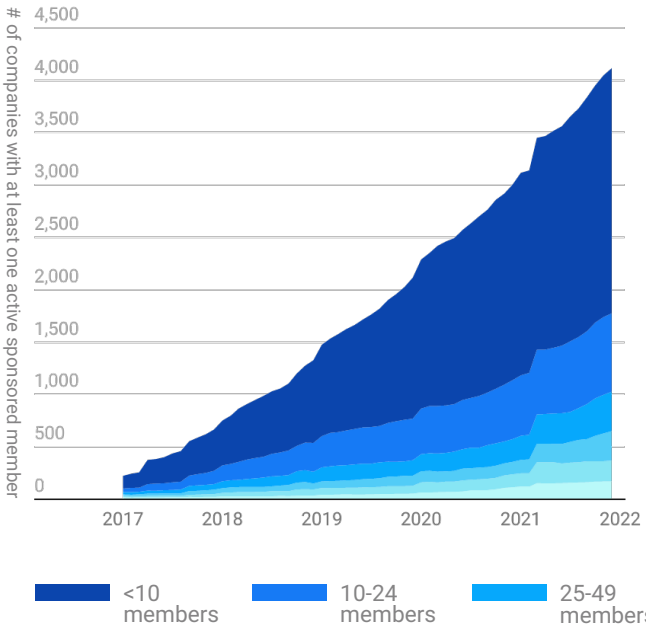
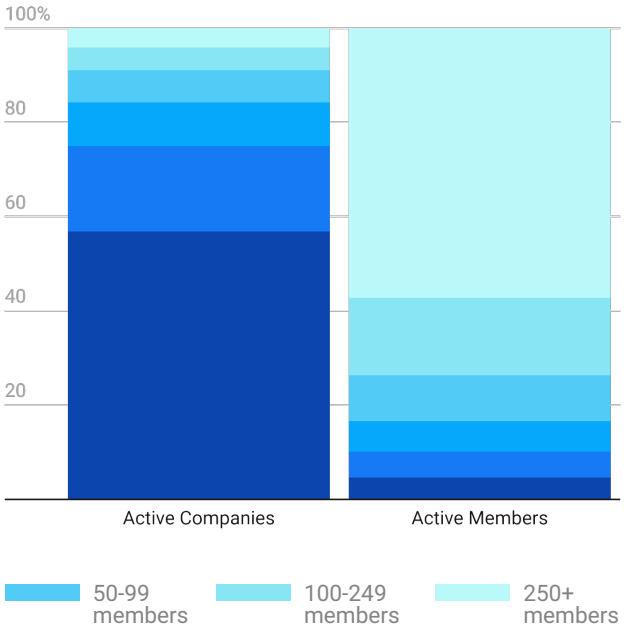


FIG. 9:
EMPLOYER SIZE BY PROPORTION OF ALL ACTIVE EMPLOYER-SPONSORED MEMBERS AND ALL ACTIVE SPONSORS IN THE U.S. IN 2021.



Source: Hint Health Database

CHANGE IN DPC MEMBER DEMOGRAPHICS

As membership has grown, demographics among DPC patients have also shifted, with the average age of a member falling from 46 to 40 (Fig. 10). This finding coincides with results from the Hint Health DPC Consumer Insight Survey, which found that those most familiar with DPC are younger: 46% of 25- to 34-year-olds had heard of DPC compared to only 16% of those 55 years old and above.

FIG. 10:
AVERAGE AGE OF DPC MEMBERS FROM 2017 TO 2021.

Years	Average Age
2017	46
2018	45
2019	43
2020	42
2021	40

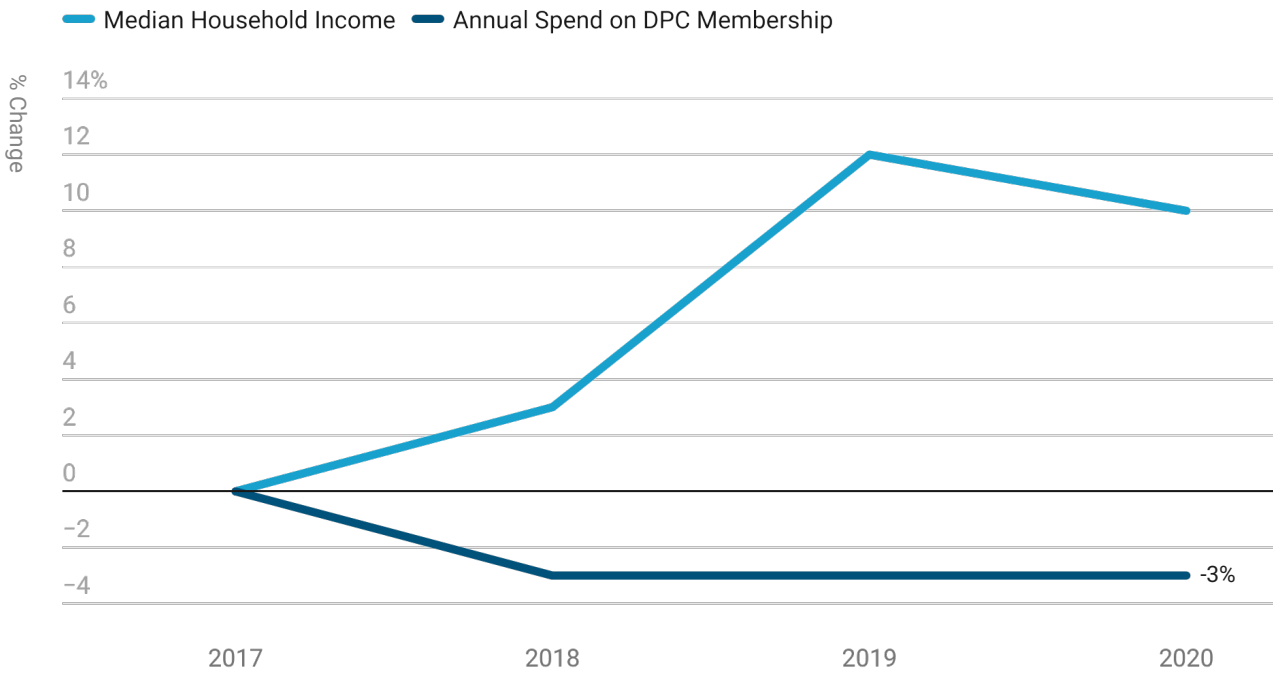
Source: Hint Health Database

WHAT DPC CLINICIANS CHARGE

While insurance premiums continue to outpace incomes, DPC memberships remain affordable. According to the U.S. Census, the percent change in median household income from 2017 to 2020 increased 10%. According to a 2020 study, 62% of DPC providers responded that they did not increase their membership fees from 2017 to 2020. Among those who did increase their price, the average was a minimal increase of 1.5% per year.

This affordability is also reflected in the Hint Health Database. In 2021, the median price an employer paid for a monthly DPC membership for a family of four was $158. For retail memberships, we see only a small change in DPC membership prices over time, with the median annual price of an individual retail DPC membership across all practices decreasing from a median monthly price of $77 in 2017 to $75 in 2020—an aggregate percent change of -3% (Fig. 11). The affordability of a DPC membership has improved even further in the past few years, especially relative to the trend of rising insurance premiums.

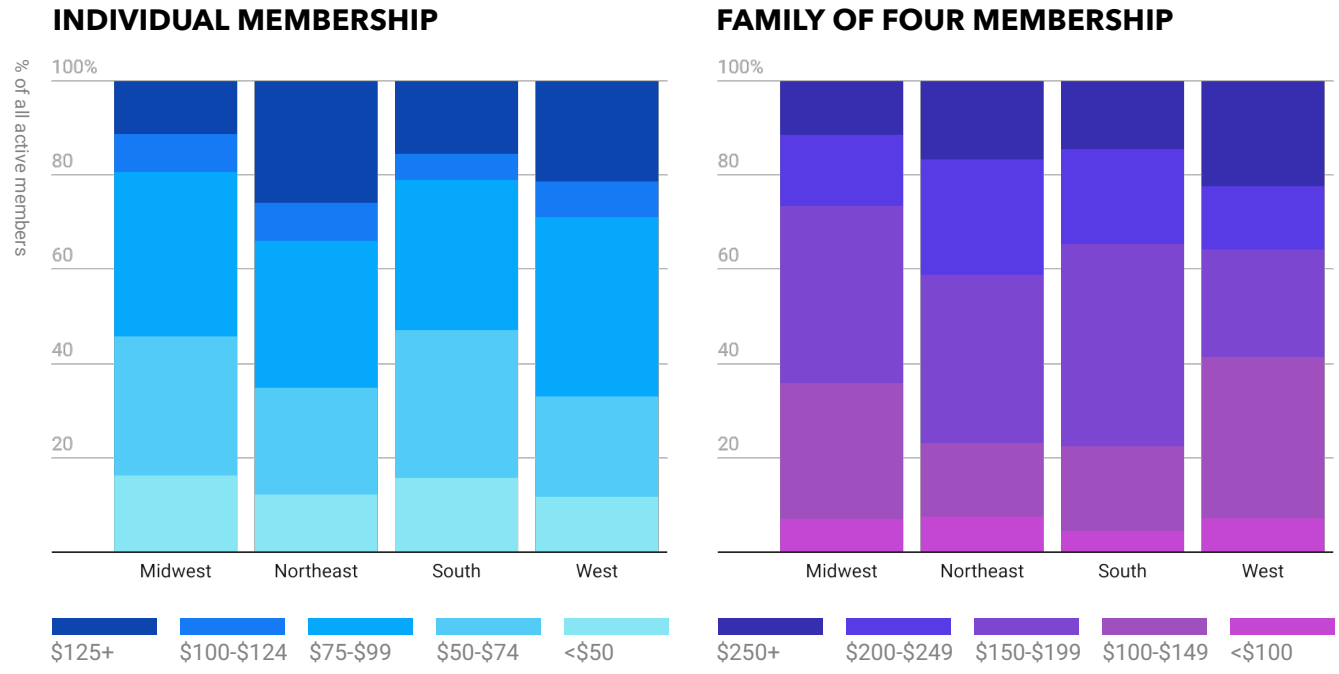
FIG 11:
PERCENT CHANGE IN MEDIAN HOUSEHOLD INCOME[2] AND ANNUALIZED, RETAIL, INDIVIDUAL DPC MEMBERSHIP[1] FROM 2017 TO 2020.



Source: 1) Hint Health Database 2) U.S. Census
Note: Membership price is the median monthly price during the time period for an individual, retail DPC membership. This excludes virtual-only memberships.

The exact amount a practice charges a retail patient for a membership varies by geography and membership type (i.e., whether the membership covers an individual or family). The median monthly membership price for a single individual by region ranges from $75-$88, and the median monthly membership price for a family of four ranges from $150-$179. For both types of membership, the largest proportion of high-priced memberships are in the Northeast and Western regions (Fig. 12).

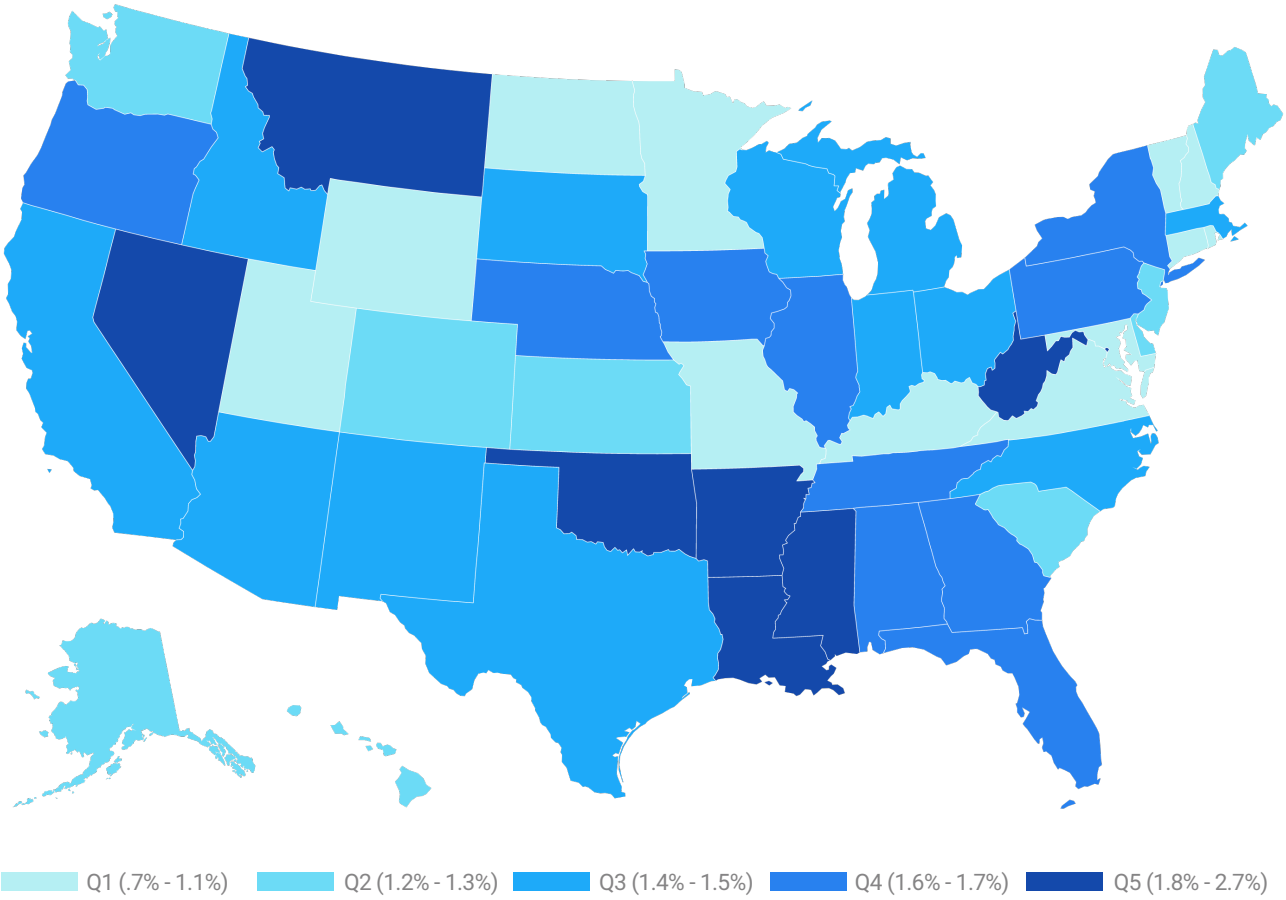
FIG 12:
DISTRIBUTION OF RETAIL MEMBERSHIP PRICE BY REGION AND TYPE OF MEMBERSHIP IN 2021



Source: Hint Health Database
Notes: Regions are defined by the Census. Membership amount is the median monthly price during the time period.

Examining membership price at the state level shows some disparity in the proportion of income spent on DPC. The three states with the lowest proportion of median household income spent on a DPC membership are Utah ($50 median monthly DPC membership vs. $83,670 median household income), Maryland ($59 DPC membership vs. $94,384 income), and New Hampshire ($65 DPC membership vs. $88,235 income). In contrast, the three areas where patients spend the largest portion of their income on DPC are Montana ($97 DPC membership vs. $56,442 income), Arkansas ($100 DPC membership vs. $50,540 income), and D.C. ($200 DPC membership vs. $88,311 income, Fig. 13).

FIG 13:
PERCENT OF MEDIAN ANNUAL INCOME[2] SPENT ON DPC MEMBERSHIP[1] ANNUALLY BY STATE IN 2021.



Source: 1) Hint Health Database 2) U.S. Census
Notes: Membership amount is the median monthly price for an individual membership during the time period multiplied by 12 months. Annual income is the median household income per the census during the time period.

Supply Side Trends

Though the absolute number of physicians in the United States is increasing, the country's ratio of generalists to specialists is one of the lowest among the industrialized nations. Furthermore, the number of PCPs entering and staying in the workforce is not keeping pace with population growth, resulting in a projected shortage of between 17,800 and 48,000 PCPs by 2034.

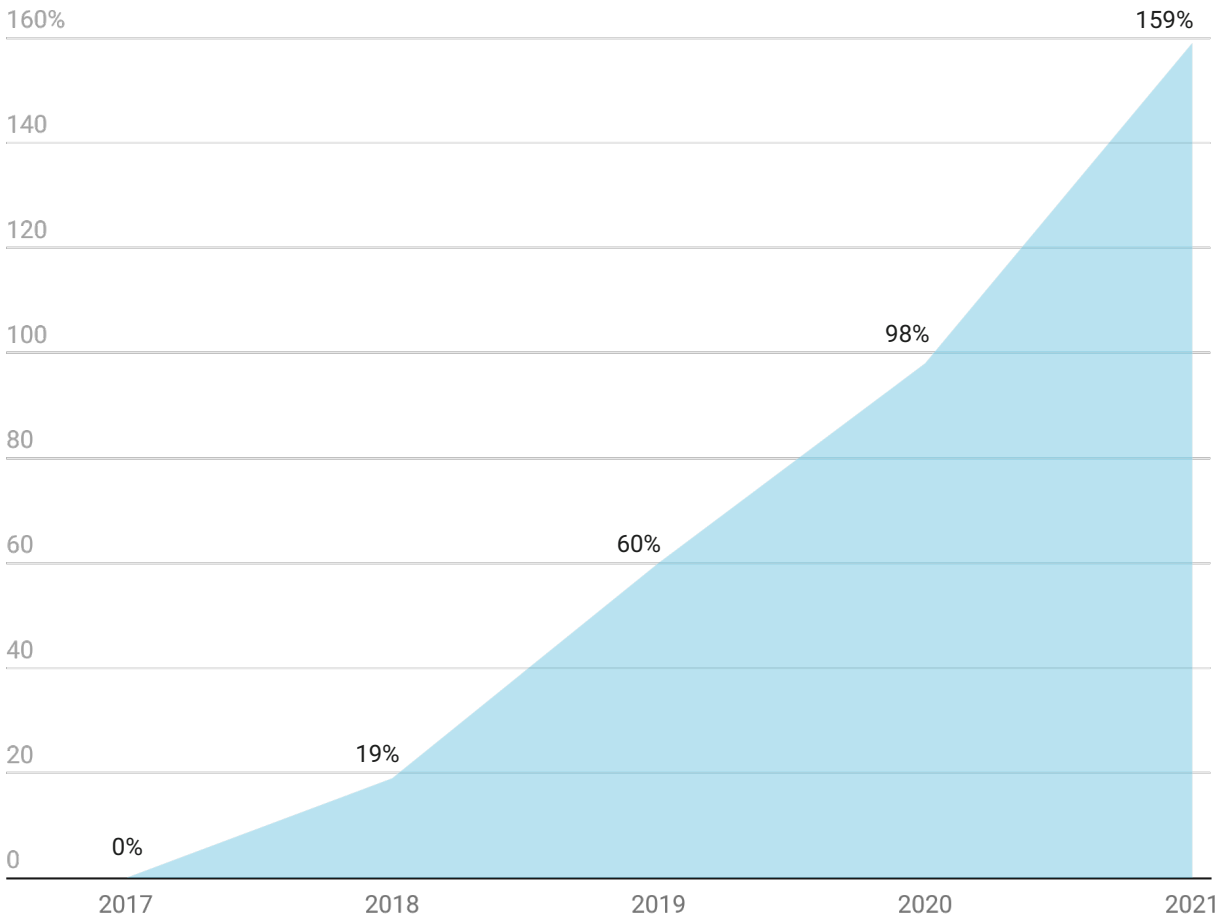
Several interlocking factors have contributed to this projected shortage. Firstly, a cornerstone of primary care practice is the delivery of preventive care which compounds into better health and reduced costs over time. The true impact of this longitudinal care is notoriously undervalued and in turn poorly compensated in the fee-for-service model pushing PCPs to specialize. Lower insurance reimbursement coupled with the average medical student debt at more than $250,000 further disincentivizes medical residents from entering lower-paying fields like primary care. Beyond finances, the American Academy of Family Physicians notes that "family physicians suffer from significantly higher rates of burnout than physicians in most other specialties." Given the burden and risks PCPs have experienced in managing patients through the COVID-19 pandemic, the percentage of PCPs who often have feelings of burnout has increased from 40% in 2018 to 61% in 2021. According to the American Medical Association in 2019, 72% of specialists were actively practicing compared to only 56% of family practice and internal medicine physicians, showing how relatively fewer PCPs continue to provide patient care after their training.

With greater autonomy and an improved care delivery experience, the DPC model has helped alleviate the poor compensation and intense burnout experienced by fee-for-service clinicians. In a 2017 survey of DPC clinicians, respondents reported comparatively lower rates of burnout andless time spent on non-clinical tasks. Additionally, 79% reported feeling they "generally hav[e] all the time needed with patients to provide the highest standards of care." Other physicians are taking note. The 2018 Survey of America's Physicians indicated that over 21% of primary care providers and almost 18% of specialists plan to implement a simpler direct pay model.

GROWTH IN DPC CLINICIANS

We continue to see an increase in DPC clinicians over time. From 2017 to 2021, the number of active DPC clinicians per 100K people has increased 159% compared to only a 6% percent increase in the number of active PCPs per 100K people (Fig. 14).

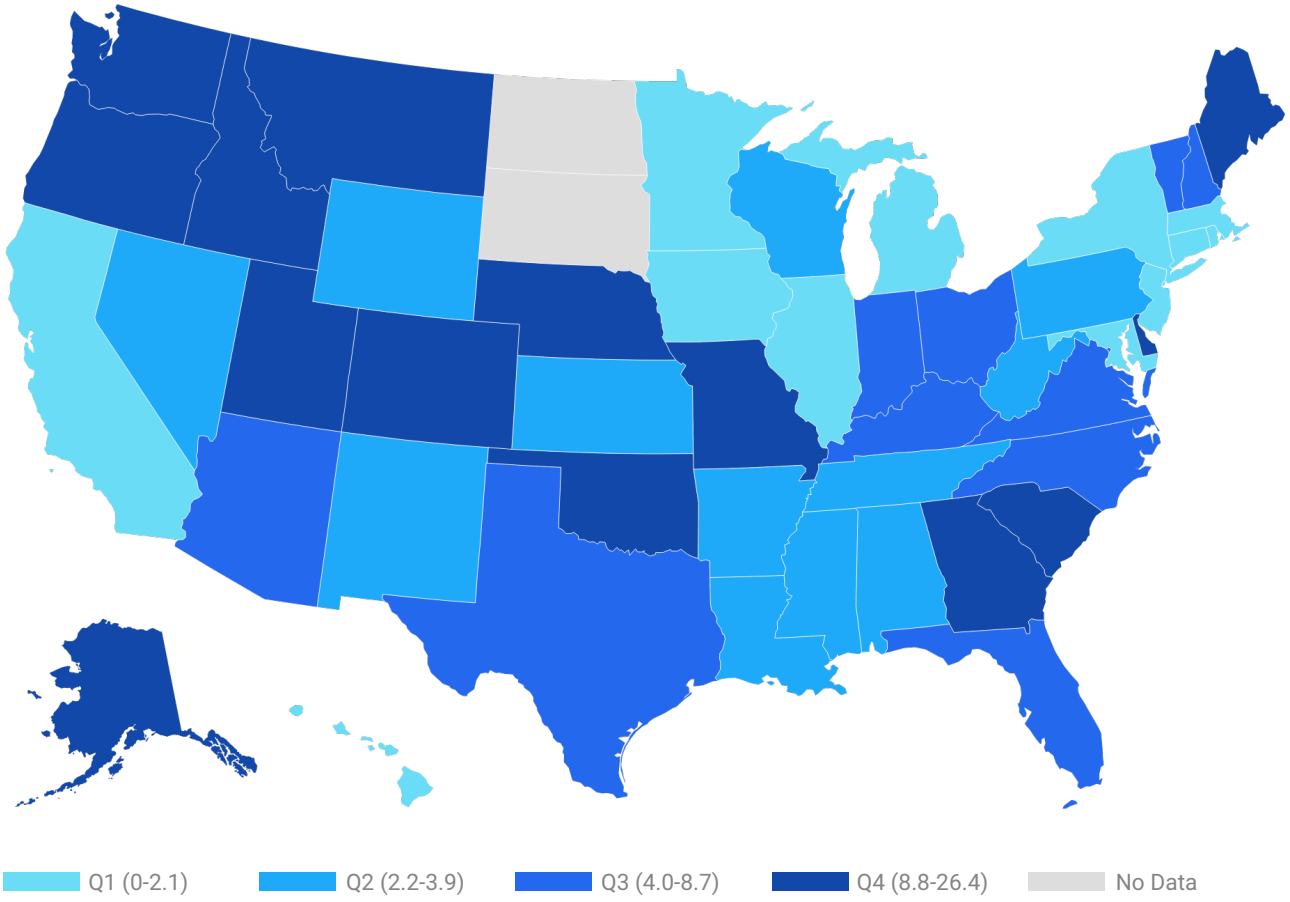
FIG 14:
PERCENT CHANGE IN DPC CLINICIANS[2] PER 100K PEOPLE[1] FROM 2017-2021



Source: 1) U.S. Census 2) Hint Health Database
Notes: PCP includes Internal Medicine, Family Medicine/General Practice, Pediatrics, Obstetrics & Gynecology, Geriatrics. HintOS does not specify clinician specialty. Includes all clinicians at a DPC practice who were active for more than one month during the time period.

The map below captures the density of DPC clinicians per 1,000 PCPs by state with the three highest states being Colorado, Idaho, and Nebraska (Fig. 15).

FIG 15:
DPC CLINICIANS[1] PER 1000 PCPS[2] BY STATE IN 2021



Source: 1) Hint Health Database 2) Kaiser Family Foundation, Professionally Active Physicians. Jan 2022
Notes: DPC clinician state is identified as the mailing address of the Hint Account associated with the clinician. HintOS does not specify clinician specialty. Includes all clinicians at a DPC practice.

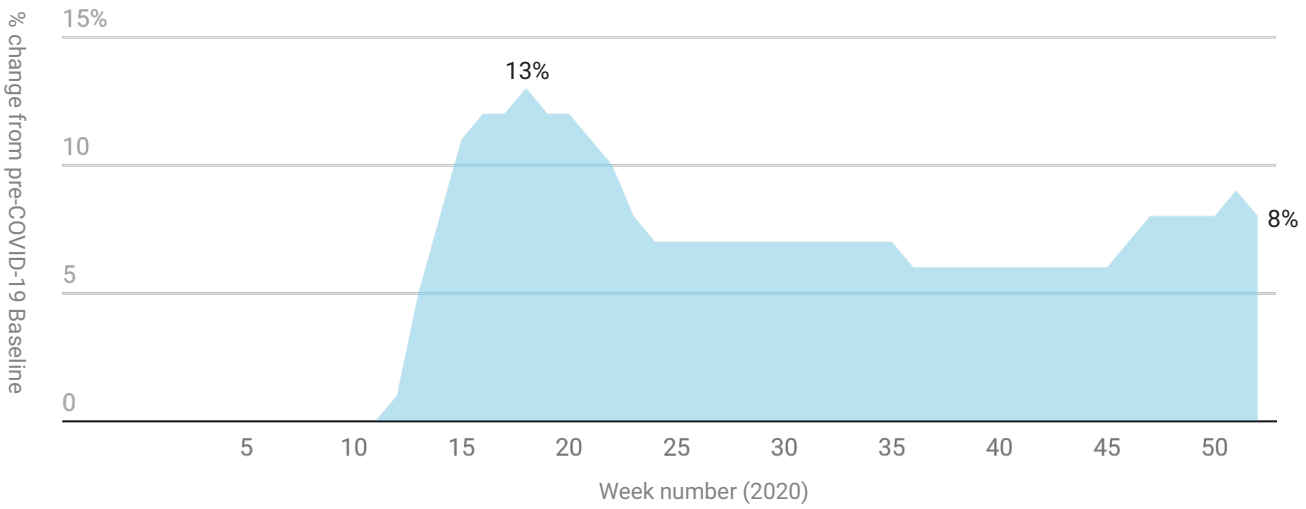
GROWTH OF TELEMEDICINE WITHIN DPC

The evolution and proliferation of virtual healthcare models exploded during the COVID-19 pandemic. This model moved from predominantly "virtual urgent care" to a range of services enabling longitudinal virtual care, integration of telehealth with other virtual health solutions, and hybrid virtual/in-person care models. According to the McKinsey Consumer Health Insights Survey, only 11% of surveyed consumers utilized telehealth prior to the COVID-19 pandemic, increasing to 40% by June 2021.

According to the Primary Care Collaborative and Larry A. Green Center Clinician Survey Series 30 conducted in August 2021, telemedicine has been key to maintaining patient access to care during the COVID-19 pandemic for nearly two-thirds (64%) of primary care clinicians. These telemedicine services will likely remain: 70% of physicians in the 2021 Survey of America's Physicians anticipate continued use of COVID-era telehealth services in their practice.

Despite both patients' and clinician's preference for telehealth, 21% of PCPs reported they had to pull back on telemedicine services after insurance companies reduced payments. Fee-for-service incentives to see patients in-person have persisted, with fee-for-service virtual outpatient visits only increasing 8% overall from the start of the COVID-19 pandemic through 2020 (Fig. 16).

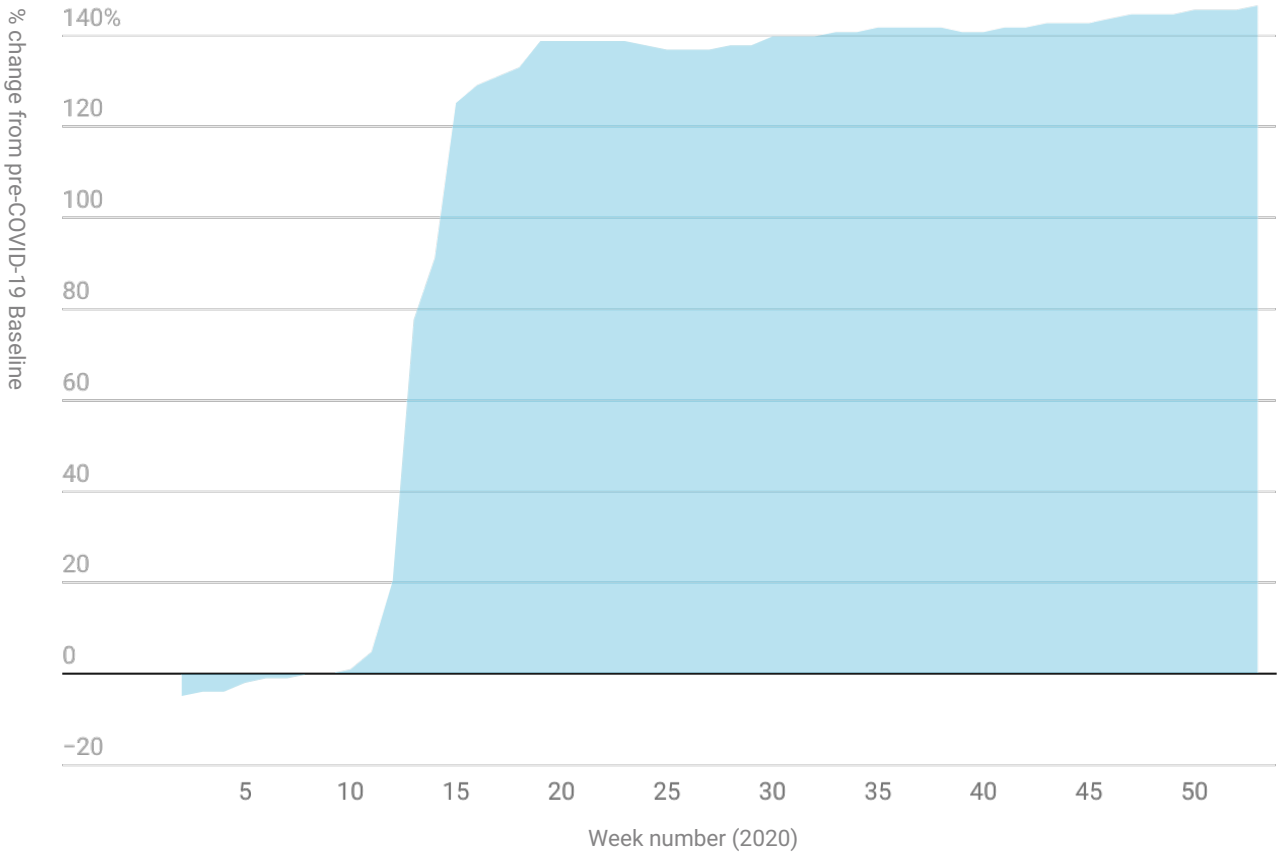
FIG 16:
PERCENT CHANGE FROM PRE-COVID-19 IN FEE-FOR-SERVICE OUTPATIENT VIRTUAL VISITS BY WEEK



Source: Ateev Mehrotra MD, MPH, Harvard Medical School, Commonwealth Fund, Feb. 2021.

In contrast, since Direct Primary Care practices are not beholden to insurance reimbursement and related restrictions to determine what services will best support their patients, most DPCs had either invested in virtual services prior to the COVID-19 pandemic or were able to quickly add and sustain them. As shown in the chart below, charges on HintOS for virtual services have maintained a 147% increase from before the COVID-19 pandemic (Fig. 17).

FIG. 17:
PERCENT CHANGE FROM PRE-COVID-19 IN DPC PRACTICES WITH VIRTUAL SERVICES BY WEEK



Source: Hint Health Database

GROWTH OF DPC NETWORKS

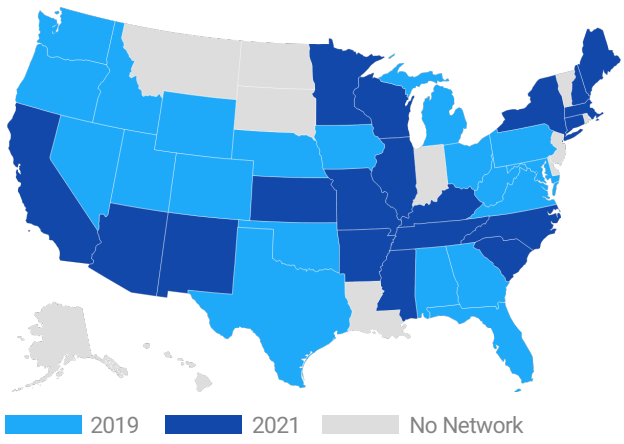
While DPC supply and demand continue to grow, the DPC market still faces a misalignment between DPC capacity and potential member populations. In some cases, DPC clinicians have difficulty reaching a full patient panel. In other cases, a 1-1 relationship with a local employer can push the limits of a DPC's capacity as it attempts to provide care to all covered employees. Additionally, larger and distributed employers typically want to offer a standard benefit across their populations, and thus need to leverage multiple DPC locations.

By taking on the administrative burden needed to sell to employers and manage the relationship between the employer and clinician, DPC networks have emerged to serve as the bridge between larger employers and independent DPCs looking to support more members. This is done locally by joining employers and DPC clinicians in one or two nearby cities or regionally across states.

DPC networks such as Strada Healthcare, Nextera Healthcare, Primary Health Partners, and Persona Healthcare Direct have their own clinics that can serve a portion of the employers' covered lives and also work with other independent affiliated practices to create more access points for employees in varied geographies. Similar in concept is Hint Connect, Hint's DPC national network of independent DPC practices. Designed to serve as a single access point for larger employers who want to implement DPC while accelerating provider growth and preserving their autonomy. Hint Connect works in concert with established DPC networks to increase access to DPC for employers.

More and more DPC clinicians are looking to DPC networks to grow their business. From 2019-2021, DPC networks doubled their geographic footprint by expanding their presence from 20 to 40 U.S. states (Fig. 18).

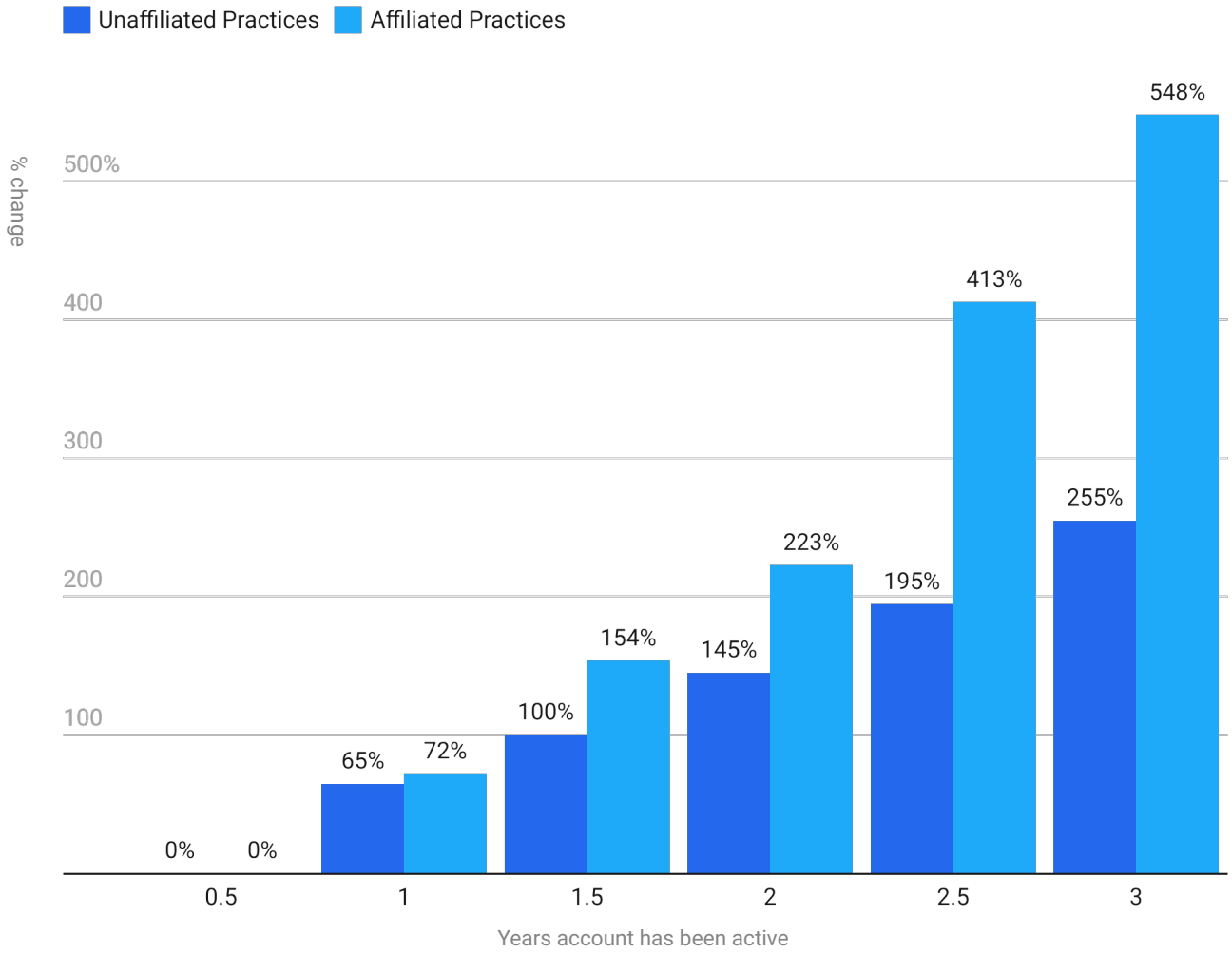
FIG. 18:
STATES WITH A DPC NETWORK IN 2019 VS. 2021



Source: Hint Health Database
Note: Network presence is defined as a state with 10 or more active members affiliated with a network operating on HintOS.

The true power of the DPC network is demonstrated in the exponential member growth among practices who join a network compared to those who do not. Since 2017, DPC practices affiliated with a network experienced a 548% growth in the median number of active members per practice after three years in operation compared to 255% growth among unaffiliated DPC practices (Fig. 19).

FIG. 19:
MEDIAN PERCENT CHANGE IN DPC MEMBERS PER PRACTICE FROM MONTH SIX AND SEMI-ANNUALLY AFTER AMONG AFFILIATED AND UNAFFILIATED PRACTICES.



Source: Hint Health Database
Notes: An affiliated practice is any practice with at least one patient affiliated with a network.
This figure was updated May 13, 2022 with more accurate data to represent median percent change in members over time.

DPC Regulatory Trends

FEDERAL LAWS

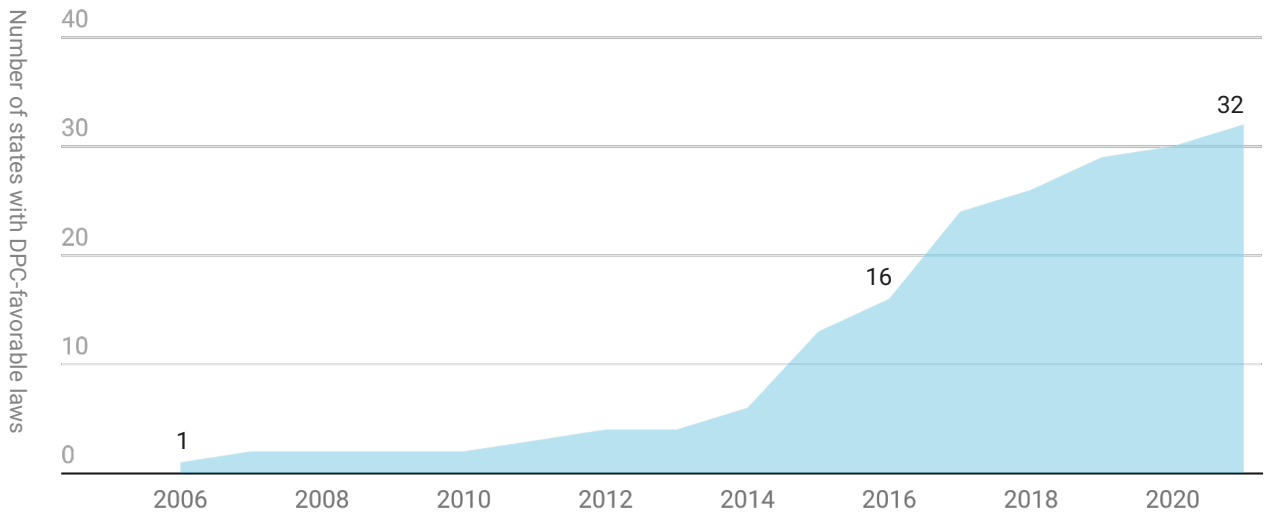
Under current law as interpreted by the Internal Revenue Service (IRS), individuals with a DPC membership are ineligible to contribute to a HSA. In 2020, the IRS proposed a rule clarifying that a DPC fee is not a Qualified Medical Expense that can be paid for using HSA funds on a tax-preferred basis. Instead, the rule asserts that employers can reimburse DPC fees and other health insurance arrangements through health reimbursement arrangements (HRA). However, this rule proposal has not been finalized.

STATE LAWS

State-level DPC legislation commonly seeks to clarify that a DPC arrangement is not an insurance product and thus not subject to state insurance regulations. Per the American Academy of Family Practitioners, even though DPC agreements cover the risk of assorted primary care complications, they usually contain an express provision for additional charges (based on actual expense incurred) and refunds—both of which are absent in insurance agreements.

In 2006, West Virginia was the first state to pass legislation favorable to the DPC model. By 2016, fifteen more states followed suit doubling to a total of 32 states with DPC-favorable laws by the end of 2021 (Fig. 20).

FIG 20: CUMULATIVE NUMBER OF STATES WITH DPC-FAVORABLE LAWS BY YEAR FROM 2006-2021.

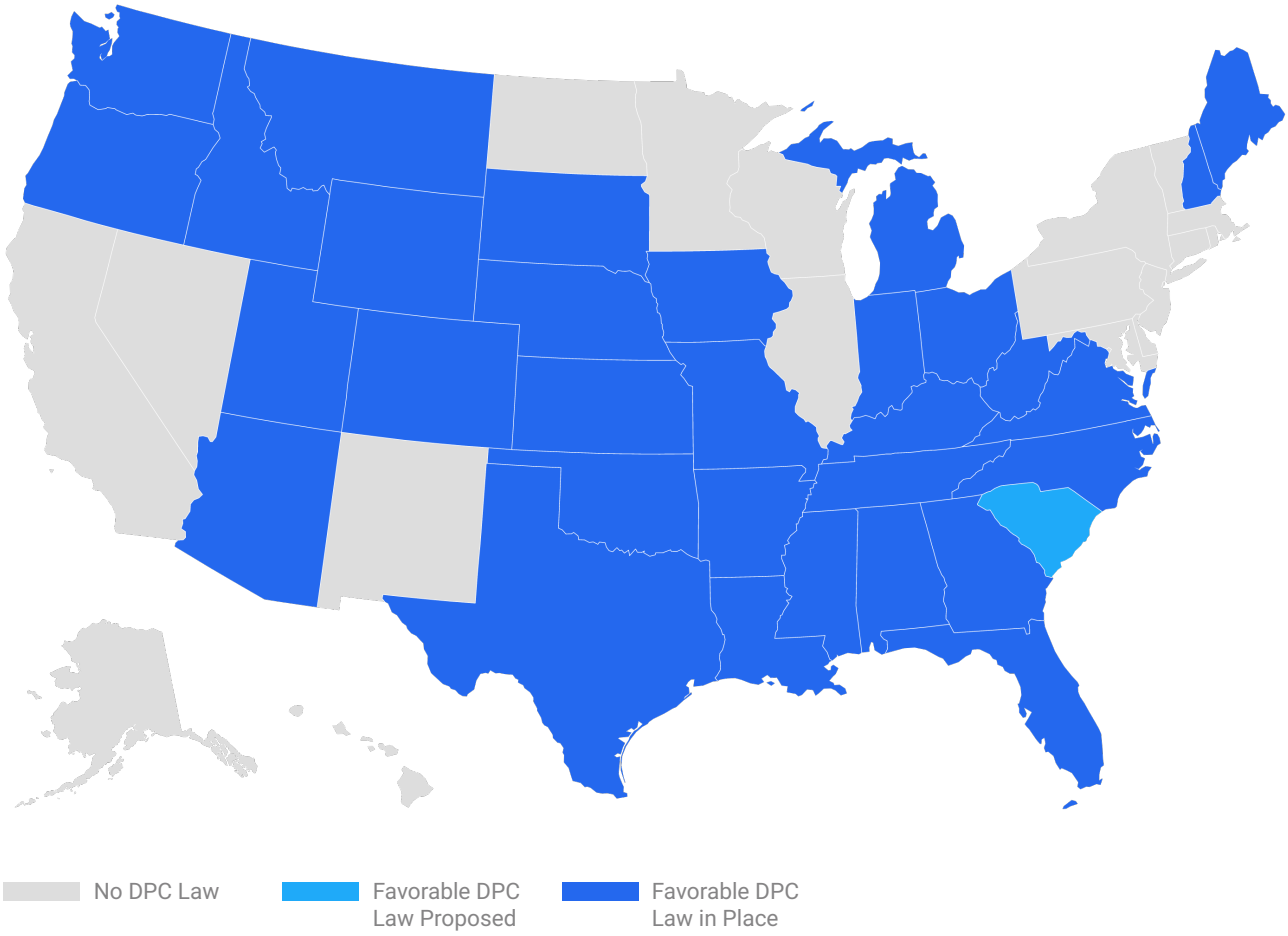


Source: DPC Frontier State by State Issues

These laws exclude DPC from insurance regulations and generally offer varying levels of consumer protection. In four of these states, insurance commissioners have issued explicit guidance for DPC practice operations that comply with the state's insurance code. Although this designation does not enable the use of an HSA for payment, it does align the state and federal approach in anticipation of rolling out the Primary Care Enhancement Act.

Some states have been proponents of DPC for many years, such as Nebraska, which is home to one of Hint Health's largest DPC networks—and many others have jumped in more recently. In the remaining states without DPC legislation or insurance commissioner guidance, practices must independently determine how to operate lawfully within the existing insurance code and may be subject to regulation by state insurance regulators.

FIG. 21:
STATUS OF DIRECT PRIMARY CARE LAWS BY STATE AS OF 2021



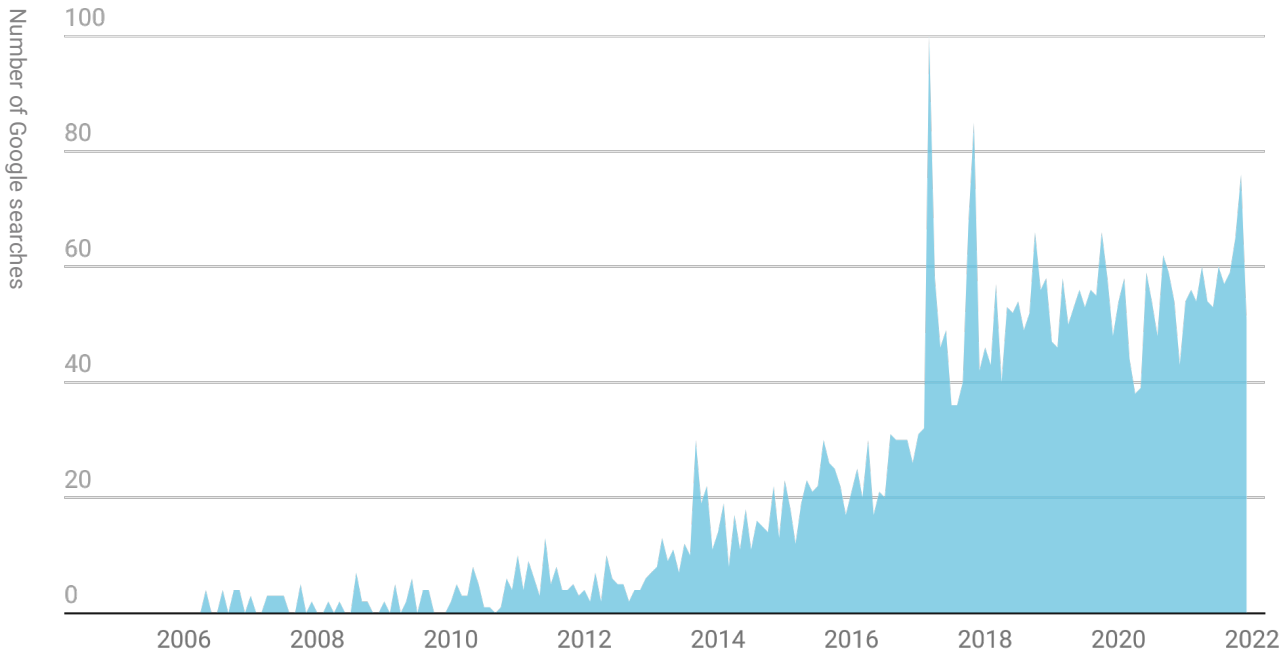
Source: Direct Primary Care Coalition

Looking Ahead

In this report we observe the exciting growth of DPC from 2017 to 2021: DPC membership increased 241%, the number of DPC clinicians increased 112%, and the states with favorable DPC legislation doubled from 16 to 32. DPC networks expanded their operations from 20 states in 2019 to 40 states in 2021, which helps ensure the growing supply of DPC clinicians is able to effectively and compassionately serve the growing patient and employer demand for better primary care.

However, there is clearly more work to be done. The steady rise in the number of times someone has searched 'Direct Primary Care' on Google demonstrates how the efforts of DPC clinicians, patients, employers, and legislators are propelling the movement. Still, 68% of consumers still have not heard of DPC and the large majority of primary care clinicians have yet to pursue this model.

FIG. 22:
GOOGLE SEARCHES FOR THE TERM 'DIRECT PRIMARY CARE' BY MONTH 2006 - 2021.



Source: Google Trends

Together we hope to continue raising awareness about the merits of DPC. This report serves as a starting point for Hint Health's commitment to grow the evidence base with data-driven insights to prove DPC is trending in the right direction.

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TRENDS IN DIRECT PRIMARY CARE 2022

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