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Jennifer Hammer March 30, 2018

Director

Department of Insurance

320 W. Washington St.

Springfield, IL 62767

Dear Director Hammer:

On behalf of our family physician members in Illinois, I submit the attached request of the Department to clarify the status of direct primary care (DPC) practices in Illinois.

As a follow up to our meeting in December regarding direct primary care, IAFP strongly supports innovations in primary care delivery and payment models that embody the core elements of the patient-centered medical home (PCMH) and place a priority on the patient-physician relationship. We believe that the DPC model is a progressive delivery and payment model, built on the traditional primary care patient-centric model that places the patient as the focal point of the practice, but it also is a model that uses a team-based approach, advanced technology and data to deliver timely and quality care.

The DPC model drives improvements in quality at a lower per capita cost. Twenty-four states have defined DPC outside of state insurance regulation and many others offer guidance which concurs that DPC Medical Homes are medical services, not health plans. DPC is currently offered in exchanges, with self-insured employers, unions, in Medicare Advantage and Medicaid MCOs.

Please let me know if I can provide additional information. I look forward to hearing from you.

Sincerely,

Gordana

Gordana Krkic, CAE

Deputy Executive Vice President of External Affairs

Illinois Academy of Family Physicians

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cc: Cook-Witter, Inc.

**Direct Primary Care: Not an Insurance Product**

Please accept this correspondence from the Illinois Academy of Family Physicians as a request for the Illinois Department of Insurance to issue a Company Bulletin in order to clarify the status of direct primary care (DPC) practices in Illinois.

DPC is a medical care model involving a retainer fee in exchange for primary care medical services. At least 24 states have laws clarifying that DPC practices are not an insurance product. Although Illinois insurance laws have no specific exemption, DPC practices should not be considered an insurance product under the Illinois Insurance Code (Code), 215 ILCS 5.

Illinois Insurance Code

Section 4 of the Code, 215 ILCS 5/4, provides for three classes of insurance. Each class involves an entity providing a conditional guarantee of compensation or indemnity for a specified circumstance in exchange for a payment. A DPC agreement does not involve a guarantee of compensation or indemnity but rather a guarantee of services.

Risk Assessment

In *Homeward Bound Services v. Illinois Department of Insurance*, 365 Ill. App. 3d 267, 848 N.E.2d 589, 302 Ill. Dec. 290 (Ill. App. Ct., 3rd Dist. 2006), the Illinois Appellate Court affirmed the decision of the Illinois Department of Insurance that a particular service agreement was an insurance product. However, a DPC model for medical care does not shift risk in a contingent manner similar to the agreement in *Homeward Bound Services*, *supra*.

A DPC practice reflects an agreement with the direct primary care medical provider and patient seeking basic specified services. In exchange for a periodic retainer fee from the patient, basic specified services are provided without being contingent on qualifying factors, such as not having a preexisting condition.

With a Company Bulletin from the Department clarifying that DPC practices are not an insurance product, primary care medical providers can more comfortably engage Illinois residents and businesses in providing better access to necessary healthcare throughout the state.

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