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# Can Hint Health revolutionize primary care by taking insurance out of the equation?

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In a health care environment where costs continue to rise without any corresponding increase in patient or provider satisfaction, companies and employers are increasingly looking to innovative business models to turn the industry on its head. San Francisco-based startup Hint Health sees its opportunity to transform healthcare by being the backbone software to support the growing direct primary care movement.



TODD JOHNSON | SAN FRANCISCO BUSINESS TIMES  
Hint Health co-founders Graham Melcher, left, and Zak Holdsworth.

“We had this thesis that the health care system is broken in some fundamental ways. We waste basically the equivalent of NASA’s budget since conception every year,” Hint Health CEO Zak Holdsworth said.

“So in looking for things that can fundamentally change the system we came across these direct primary care practices that were essentially disintermediating insurance by contracting directly with consumers.”

Direct primary care refers to a health care business model that circumvents the traditional payer system by having patients pay providers directly for a range of services with a monthly fee, on average around \$80. Without the relationship with

insurers, there is no co-pay, deductible or co-insurance fees and decreased cost due to a lack of administrative overhead.

Direct primary care is analogous to a kind of lower-priced, consumer-grade concierge medicine. Membership in a direct primary care practice is often paired with a high-deductible catastrophic coverage in the case of medical emergencies.

Hint Health was started in 2014 by Holdsworth and co-founder Graham Melcher and handles the back-end administration, membership enrollment, payment and billing infrastructure and analytics for direct primary care practices.

As it stands, the market is limited, but growing. Estimates have counted around 600 direct primary care practices around the country. Investors are also taking note, throwing a \$10 million Series A funding round into Hint Health earlier this year to help boost their staff and scale up the business.

The argument for direct primary care comes from the benefits of drawing a direct financial relationship between provider and patient, taking out the administrative burden often pointed to as a cost driver and major factor in physician burnout. Additionally, by aligning incentives to lower costs, the theory is that direct primary care leads to a more personal relationship between doctor and patient focused on preventative health and away from increased and unnecessary care.

The model started to emerge a decade ago and has been boosted by regulations and legislation in 25 states that have defined direct primary care as different than insurance, meaning they are regulated like medical services instead of health plans. There is also a bipartisan effort to pass legislation through Congress that would allow direct primary care patients to pay for fees through their Health Savings Account.

For one of Hint Health's customers, Denver-based Nextera HealthCare, a major driver of its business are employers looking for ways to cut down on health costs through high-deductible health plans, while still providing an adequate level of care for their workers. Nextera, which has 40 clinics nationwide and is looking at a possible Bay Area location, found that claim costs for their employer customers declined by 25.4 percent.

“We don’t need insurance for low-cost primary care, just like we wouldn’t use auto insurance to pay for the carwash,” Nextera Health Care CEO Clint Flanagan said.

Contracting with a direct primary care practice also has an additional benefit for employers in being able to more closely monitor and manage their workers referral patterns. And, according to Flanagan, some progressive insurance companies and brokers have started to introduce products where medical insurance for major conditions or procedures are bundled and sold with a direct primary care membership.

“The benefit to the employer is when you invest in these primary care models. The total cost of care downstream drops because there's less unnecessary advanced radiology, there's less unnecessary urgent care or ER visits,” Holdsworth said.

Flanagan also touted the direct primary care’s ability to more easily innovate with new technologies that may be difficult to gain traction within traditional practices.

“In the traditional fee-for-service-insurance world, you don't have financial motivation or incentive to do things like patients medical records or telemedicine products because you'll have to bill less potentially,” Holdsworth said.

With the current challenges in the health care system, Hint Health is continuing to bet heavily on its technology as a bridge to bring in new practices and physicians into the direct primary care fold.

“It's just a matter of time before the pathways toward a successful transition are more obvious. The risk of the transition is much lower than the perceived benefit,” Holdsworth said.

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