

**BUSINESS****Doctors describe pressures driving them from independent practice**

Some physicians, facing daunting business costs, decide the price of autonomy isn't worth it. Only about one in three is expected to hold a practice ownership stake in 2013.

By **VICTORIA STAGG ELLIOTT**, amednews staff. *Posted Nov. 19, 2012.*

Internist Jay Monahan, MD, is doing something he never dreamed of when he started his medical career: drawing a paycheck from an employer.

Dr. Monahan and his partners sold their Gurnee, Ill., practice to a large integrated health system in 2009. They weren't planning to do so. After Aurora Health Care of Milwaukee approached them in 2008, they thought about how much money they would be spending to meet regulatory and business expenses — something that would become the other institution's responsibility. And Dr. Monahan, then 61, believed hospital employment might be a way to wind down in a few years rather than retire completely.

"It's foreseeable with current trends there will be more mandates without commensurate funding," he said.

His situation is not unique. Numbers released Oct. 31 by the consulting firm Accenture showed a decline in doctors who operate independently. Business pressures were listed as a major reason why physicians were willing to trade the autonomy of independent practice for the perceived comfort of employment.

Big drop in ownership predicted

Only 36% of practicing physicians will hold a practice ownership stake by the end of the 2013, down from 57% in 2000, according to Accenture's analysis of data from the American Medical Association and MGMA-ACMPE.

An accompanying survey of 204 physicians found that 87% cited business expenses as a top concern influencing their decisions to seek employment. Sixty-one percent named managed care, and 53% identified requirements for electronic health record systems. In addition, 53% talked about problems managing staff, and 39% cited the number of patients needed to break even.

"What's getting paid for a visit is not growing, but the complexity of running a practice is," said Kaveh Safavi, MD, Accenture's health industry lead for North America. "Practices do need more information technology than they needed 20 years ago. They need a more efficient revenue cycle."

The Accenture survey did not break down trends by age, but Dr. Safavi said both younger and older physicians are moving toward employment.

Consultants say that for some, like Dr. Monahan, it's preferable to sell a practice and become a hospital employee — especially because younger doctors might not be interested in buying into a physician-owned practice. Hospital employment was the most popular practice setting, according to a survey of 302 residents at the end of their training released Oct. 5, 2011, by physician recruiting firm Merritt Hawkins & Associates of Irving, Texas. Thirty-two percent of residents would be most open to this possibility, but this was true for only 3% in 2001.

"Younger physicians are more comfortable not owning their own practice, and midcareer or older physicians are trying to figure out what the end of their practice is going to look like and what will give them a soft landing for retirement," Dr. Safavi said.

New roles for small practice

Consultants say there will continue to be a place for small, independent practices, but it might be like small businesses in other industries, where large players have taken the majority of the market.

Small practices might have to offer special services or fill an unmet niche. Although such practices are few today, doctors in the Accenture survey thought those practice setups might become more common. One in three doctors said they would consider alternative models of practice, such as concierge medicine, to stay independent.

"There's always going to be some patients who prefer the private practice model," said Fred Davis, MD, president of ProCare Systems, a medical practice management company based in Grand Rapids, Mich. "The rise of these kind of alternative models makes sense."

For instance, when Steven Butdorf, MD, 56, a family physician in Eugene, Ore., was no longer satisfied at his traditional three-doctor office because of administrative hassles and EHR requirements, he started his own solo membership practice. Exceptional Health Care, which is registered with the Oregon Dept. of Consumer & Business Services' Insurance Division as a retainer practice, opened in February and charges members \$39 to \$79 per month and \$20 per visit for typical primary care services.

"I didn't want to take a hospital job, because I would have lost control over my practice," Dr. Butdorf said. "And I am financially secure enough to be able to take this risk."

With so many physicians moving away from independent practice, the AMA, at its House of Delegates Interim Meeting in November, approved policy outlining how employed physicians' professional autonomy could be protected and how patient welfare must be put ahead of employers' interests. For example, the policy said patients must be told when a hospital or health system requires or pressures its physicians to make referrals only within the organization.

For Dr. Monahan, a hospital-owned practice is working for him and his six partners. The practice is now called Aurora Medical Group of Illinois.

He likes the quality of care at Aurora's facilities and said he will be able to cut back his working hours when he turns 66 in a few years. When he was independent, he thought his only option was to work full time or retire completely. Dr. Monahan had to give up many administrative duties, but he felt he had done them long enough.

"I was not entirely enthusiastic about coming to Aurora," Dr. Monahan said. "I had been independent my whole professional life. When a problem comes up, you just cannot give an order to fix it like you used to, but when you have a regulatory beef, that's somebody else's problem. If you're ready to make that trade-off, [a physician] can probably be pretty happy."

ADDITIONAL INFORMATION:

Fewer doctors have a practice ownership stake

Accenture researchers analyzed data from the American Medical Association and MGMA-ACMPE to determine trends in physician independence and practice ownership. Physicians were defined as independent if they owned at least part of a practice.

Year	Practicing physicians	Percent independent	Estimated count of independent physicians
2000	682,470	57%	389,008
2001	690,369	55%	381,228
2002	698,359	53%	373,603
2003	706,441	52%	366,131
2004	714,617	50%	358,809
2005	722,888	49%	351,632
2006	731,254	47%	344,600
2007	739,718	46%	337,708
2008	748,279	44%	330,954
2009	756,939	43%	324,334
2010	765,700	42%	317,848
2011	774,562	41%	313,703
2012	783,526	39%	305,575
2013*	792,594	36%	289,127

*Projected

Source: "Clinical Transformation: New Business Models for a New Era in Healthcare," Accenture, Oct. 31 (accenture.com/SiteCollectionDocuments/PDF/Accenture-Clinical-Transformation-New-Business-Models-for-a-New-Era-in-Healthcare.pdf)

Top concerns prompting physicians to consider employment

Several issues are persuading doctors to think seriously about leaving independent practice. Accenture researchers surveyed 204 specialty and primary care physicians in May to identify the most pressing concerns.

87% cited business expenses.

61% named the prevalence of managed care.

53% were concerned about EHR requirements.

53% mentioned maintaining and managing staff.

39% cited the number of patients required to break even.

Source: "Clinical Transformation: New Business Models for a New Era in Healthcare," Accenture, Oct. 31 (accenture.com/SiteCollectionDocuments/PDF/Accenture-Clinical-Transformation-New-Business-Models-for-a-New-Era-in-Healthcare.pdf)

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(www.accenture.com/SiteCollectionDocuments/PDF/Accenture-Clinical-Transformation-New-Business-Models-for-a-New-Era-in-Healthcare.pdf)

“2011 Survey of Final-Year Medical Residents,” Merritt Hawkins, Oct. 5, 2011
(www.merrithawkins.com/pdf/mha2011residentsurvpdf.pdf)

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