Private Practice--Down but Far From Out

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Is Private Practice Making a Comeback?

Last year, the percentage of physicians who own a stake in their practices fell below the halfway mark for the first time, according to an American Medical Association survey. In 2016, only 47.1% of physicians held equity in their practices.[1] That's down from 2000, when 57% of all doctors had an equity stake in their practices.[2]

The drivers behind the trend are myriad and all too familiar: consolidation and hospital acquisitions, increased administrative and regulatory burdens, a desire for greater work-life balance, and more predictable hours. Pervasive as those trends may be, they haven't snuffed out private practice, says Randy Bauman, president of Delta Health Care and coauthor of *Choosing Autonomy: The Physician's Guide to Returning to Private Practice*.

In fact, experts say, while private practice may never again dominate the healthcare landscape, it's likely to remain a small but permanent fixture, thanks to emerging new business models, cost-saving technological advancements, and the tenacity of physicians determined to practice medicine on their own terms.

Doctors Who Buck the Employment Trend

While most doctors are bound for employment—only 22% of medical residents surveyed by Medscape say they anticipate one day owning a stake in a practice, down from 26% from 2015—not every physician sees his or her future bound with that of a hospital or large system.[3]

Richard May, MD, practices with Northeast Ohio Nephrology Associates, a nine-physician practice in Akron, Ohio, that has maintained its independence for 30 years. Although the practice has been approached by both of the city's major hospital systems, its physician partners are united in their desire to remain independent.

"We've opted to stay with this model because we control our lives," says Dr May, who joined the practice in 1997. "We know the cost of doing that is that we are probably not making as much as we could if we were with a system, but we get up every morning feeling good about how we practice medicine. We're happy answering to no one but ourselves and not feeling any pressure to meet patient-load quotas and hit monetary goals."

The perks that have compelled Dr May and his partners to buck the employment trend appear to be drawing a number of physicians to leave the security of employment. More than half (52%) of all self-employed doctors responding to Medscape's 2014 Employed Doctors Report say they were previously employed, and anecdotal reports suggest the share may be rising.[4]

"About 3 years ago, we started noticing that a fair number of the valuations we were doing weren't for hospitals—they were going the other way," says Bauman. "We started tracking the trend and found that month over month, in 25%-30% of the valuations we are doing, the physicians are the ones doing the purchasing."

Doctors seeking the wide-open spaces of private practice are definitely in the minority. "Nobody is seeing a tsunami," Bauman says, "but there's a trend."

Mary Pat Whaley, who runs a practice management consulting business, estimates that she has helped launch about 50 practices since 2010.

"Groups get purchased by hospitals and large systems, and then physicians exit individually or in pairs," she says. "For some of them, hospital employment is just not happening."

The doctors turning to self-employment don't necessarily fit the stereotypes of the disgruntled older physician or, less commonly, the trend-bucking young entrepreneur eager to try his or her hand at running a practice.

Bauman describes working with a group of specialists in the Midwest. "They'd been employed by the hospital for years. Most of them had no experience with self-employment." But when the hospital sought to reduce their compensation by more than 20%, the doctors felt they had no alternative but to venture out on their own.

"It was a very risky proposition," Bauman says. "They had to borrow millions in capital, but they managed to do it. They went independent in the fall of 2015 and have paid down their debt and managed to stay friendly with the hospital that employed them."

To Succeed, You Need That 'Secret Sauce'

Not all doctors who return to self-employment return to their old ways. Whaley says many are adopting new practice models, including patient membership, concierge, traveling, and house-call practices, as well as direct primary care. What's more, they're slashing their expenses by renting space from other physicians, taking advantage of affordable voiceover Internet phone technology and free electronic health record (EHR) systems, and tackling a lot of administrative tasks themselves.

Others are banding together with like-minded peers. In addition to her consulting role, Whaley is the chief operating officer of Chapel Hill Doctors Healthcare Center in Chapel Hill, North Carolina, which she describes as a private-practice incubator. Founded in 2007, the center provides shared office space and administrative services with 13 independent practices whose services include integrative health, primary care, ophthalmology, gastroenterology, gynecology, and psychological counseling.

Some doctors are "looking to be out from under the thumb of the hospitals," Whaley says. "If they're willing to forego the fancy schmancy, put up with an EHR that doesn't have all the bells and whistles, and not have a sign with gold letters that are three feet high, they can do it.

"It's really a question of, what are your expectations?" Whaley says. "Are you looking to make the same salary and benefits you got with the hospital? That's not likely to happen." Independent practice "is not for the faint of heart."

In 2012, Cincinnati internist Lisa Larkin, MD, then in private practice, was faced with the prospect of purchasing an expensive EHR or joining a health system where she would be given the opportunity to launch a comprehensive women's health center. She chose the latter, opting to leave private practice to join the ranks of the employed.

But the arrangement didn't take. Dr Larkin felt "handcuffed by a non-limber, overly regulated hospital system," and her long-time patients complained that they couldn't get in to see her. Last September, she reopened her private practice using a combination direct primary care and concierge model.

"Primary care is a very personal relationship between a physician and a patient, and I was absolutely miserable when I went to employment," Dr Larkin says. "It was much more a numbers game. I felt like a factory worker. And at the end of the day, I was not happy with the quality of care I was providing."

Dr Larkin, who purchased and expanded the building in which she works and leases her EHR from a health system where she serves as a medical director, admits that taking on enormous debt was daunting, but her previous experience of running a practice, as well as her enthusiasm about offering new services such as telemedicine and nutrition counseling, gave her the nerve to make the move. Today she cares for 920 patients, a number she plans to cap at 1200, roughly 100 of whom will be concierge patients.

While most doctors may gravitate to the employed model, Tommy Bohannon, vice president of sales operations at the physician recruiting firm Merritt Hawkins, says those who opt for independence—particularly in solo and small practices—need to differentiate themselves and find other ways to make money other than billing for CPT codes and office visits.

"Think about it from the consumer's perspective," Bohannon says. Doctors who want to return to private practice are asking patients to give up the conveniences and amenities afforded by a large system, such as weekend and evening hours, onsite labs and pharmacies, and elaborate patient portals. As a result, to entice patients to follow them, these doctors are going to have to make a compelling case for themselves, Bohannon insists. "They're going to have to have that secret sauce to make money."

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