

Are Independent Medical Practices Headed for Extinction?



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[Editor's Note: This guest post was submitted by Tom McFarland, president and founder of [The Darrow Company](#), a fee-only wealth management service in Massachusetts. Like every other post on this site, "the material contained in this article is for general information only and should not be construed as the rendering of personalized investment, legal, accounting, or tax advice." Mr. McFarland may be a financial advisor, but he probably isn't your financial advisor.]

Traditionally, many doctors began their careers as employees – whether at a hospital, medical group, or other employer. As they gained experience, many ventured out to start a practice or acquire an existing one. Today, with the uncertainty around the future of healthcare reform and constantly changing regulations and reimbursement policies, the number of self-employed doctors seems to be falling. Many independent practices are being acquired by hospitals or sold off as the challenges of staying independent mount and the economics no longer seem to make sense. This isn't the case for all physicians, though, and since it is difficult to imagine a world without any independent practices, the two roads are

still worth comparing.



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The Bottom Line

On average, self-employed physicians at a private practice have greater income potential than “employee” physicians at a hospital. According to the [2014 Medscape Physician Compensation Report](#), on average and across all types of medicine, self-employed physicians earned 23% more than employed physicians.

It often isn’t just about salary, though. Owners have overhead expenses, such as administrative salaries, insurance, equipment, and operating costs, which can eat into profits. It can be stressful to run a medical practice also. Changing regulations such as ICD-10 add a significant expense to a smaller practice. Keeping up with insurance requirements and reimbursements can make accepting certain patients prohibitive.

When you work for a hospital, you are a salaried employee and will most likely receive benefits like a retirement plan and insurance. This could make your compensation less variable, which limits your downside, but also the upside as well. The hospital pays for all the overhead, so you won’t need to worry

about staffing or equipment. Hospitals often pay for some type of malpractice insurance coverage, although the exact amount or type of coverage may be subject to negotiation.

A Day In The Life

Employed physicians tend to spend more time on paperwork than self-employed physicians at a private practice. According to the Medscape survey, [35% of physicians at hospitals](#) report spending more than 10 hours a week on paperwork compared to 26% of physicians at private practices. This could be explained by owner-physicians opting to rely on administrative staff more heavily or perhaps the nature of large bureaucracies.

According to the [2014 Survey of American's Physicians](#), employed physicians have a slightly longer average work week than their self-employed counterparts. Self-employed physicians also report seeing about 8.5% more patients per day on average than employee doctors. It is important to note that this doesn't necessarily mean they are spending more time with patients.

Currently Trending or Here to Stay?



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There is a clear trend of physicians choosing hospital employment over private practice due in large part to the changing economics of healthcare and uncertainty around reforms. According to the Physicians Foundation report, only 35% of doctors classify themselves as independent practice owners, a -14% drop in only two years.

The study also found that the industry is changing so dramatically that nearly 46% of self-employed physicians indicated they planned to speed up their retirement. In contrast, only about 36% of employee doctors reported the changes in healthcare would cause them to accelerate retirement. Of course, age is also a factor, making the option to even consider early retirement a lot more feasible for those closer to it. Independent owners tend to be older – only 22% of physicians under 45 were practice owners under 45, compared with almost 42% of owners 46 and older.

One of the main downsides of working for a hospital is that there is less autonomy. The hospital can control patient flows and may require certain services. The employer also can determine which shifts you work and may not provide regular support staff. Some hospital employment contracts include clauses that could restrict you from practicing in the same area if you leave, limiting your future employment options or the feasibility of taking patients with you.

Whether private practice or hospital employment is right for you depends on a number of factors. Often, physicians will begin their career in a hospital while they pay down their medical student loans and establish themselves. Of course as the industry changes or you gain more experience, you may decide to change your path.

What do you think? Are you an employee or self-employed and why? What would it take for you to change to the “other side?” What do you see as the biggest issues with the trend toward employment for physicians? Comment below!