

# Doctors Going Broke

Parija Kavilanz has written an interesting and provocatively titled piece for CNN called "[Doctors Going Broke.](#)" Some excerpts to give you a taste for it:



*Doctors in America are harboring an embarrassing secret: Many of them are going broke.*

*This quiet reality, which is spreading nationwide, is claiming a wide range of casualties, including family physicians, cardiologists and oncologists.*

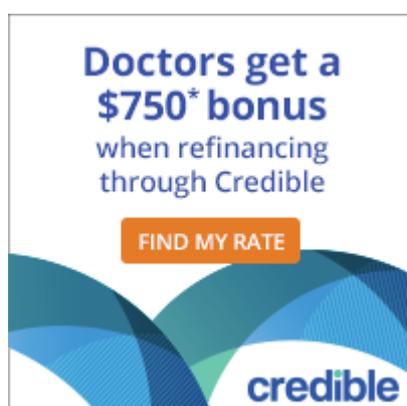
*Industry watchers say the trend is worrisome. Half of all doctors in the nation operate a private practice. So if a cash crunch forces the death of an independent practice, it robs a community of a vital health care resource.*

## Reasons Private Practices Are Squeezed

There are several things that contribute to this trend. First, and probably most important, falling real reimbursements. This problem is three fold. First, government payors such as Medicare and Medicaid are paying

less each year, at least on an after-inflation basis. Second, payor mixes are worsening. There are fewer privately insured patients. The percentages without insurance have gone up with the poor economy, the percentage with Medicare has gone up due to the baby boomers beginning to retire, and the percentage with Medicaid is going up due to Obamacare and other Medicaid-related political changes. Last, practice expenses are going up, especially compliance related costs such as EMRs, coding, and billing. Lower revenue and higher overhead is a losing proposition for a small businessman.

## Stay In Tune With Your Business



*Dr. William Pentz, 47, a cardiologist with a Philadelphia private practice, and his partners had to tap into their personal assets to make payroll for employees last year. "And we still barely made payroll last paycheck," he said. "Many of us are also skimping on our own pay."*

*Dr. Mike Gorman, a family physician in Loganvale, Nev., recently took out an SBA loan to keep his practice running and pay his five employees. "It is embarrassing," he said. "Doctors don't want to talk about being in debt."*

Maintain a cash cushion in your business. Pay attention to the trends. If reimbursements are falling, you have to cut costs. That might mean turning a full-time position into a part-time one, laying off employees, deferring capital equipment purchases, cutting back on benefits etc. Laying off

one employee is far better than having to fire them all and be out of an income yourself because the business failed. Be careful personally guaranteeing business loans. If the business fails, you might not only lose your income, but have to declare bankruptcy too.

## **Most Successful Small Businesses Are Bootstrapped**

Most small businesses don't make much money at first. Start small and realize that you're not going to make the "average salary" in your profession that first year or two. Grow your business by providing excellent service and word of mouth advertising. But also realize that business principles matter too. Location is important, so is payor mix. You have to fire patients that don't pay you, repeatedly no-show, or put an excessive drain on practice resources. You have to learn the insurance company reimbursement game. It is sad, but true, that a 1 cm laceration repair pays me more than managing the typical chest pain patient. I've often said that if I could just get a clinic full of nursemaid's elbow patients, I'd have it made.

## **Some People Aren't Cut Out To Be Businessmen**

The long-term trend for doctors is to become employees. I would argue this is bad for doctors overall, but clearly it ISN'T bad for every doctor. If you're only making \$100K running your own practice, and the local hospital system is offering you \$150K to work for them, I can't blame you for jumping ship. There is a lot more to running a successful private practice than just practicing good medicine. If you prefer to focus on that, there are plenty of employed positions out there.

Check back in tomorrow for a discussion of the comments attached to the CNN article.