

Flying Solo, s'il Vous Plait

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"Who Are These Guys?"

Butch Cassidy and the Sundance Kid

The cataclysmic changes which have buffeted the practice of medicine in the past decade are significant. Cognizant of such, I frequently am asked if it is at all possible to be a solo practitioner in today's healthcare environment. This is an appropriate question to contemplate, given the evolution of our profession over the years. The current stage is set for a definitive "no" to the question. Witness the powerful themes impacting medicine today: 1) the tension between cost and care, 2) the struggle for control of clinical decision making and the need to deal with numerous "middlemen", and 3) the daily grind and personal compromises a life in medicine necessitates, especially a life in the demanding specialties accommodating the unexpected and unscheduled illnesses of people on a daily basis.

It is true that physician practices have been characterized as one of the last "cottage" industries in the U.S. economy.¹ The industry appears to be rapidly consolidating, the consolidators being hospitals, health systems, management service organizations (MSOs), for-profit companies such as physician practice management companies (PPMCs) and physicians themselves, as well as a host of contracting agencies such as independent practice associations (IPAs).

Of note is the fact that the business model for small medical practices has several key characteristics:

- the economic transactions occur on a one-on-one basis between physicians and patients;
- the transactions are frequently small and based on repeat business;
- the geographic area served by a small medical practice is usually within a radius of no more than 3–5 miles;
- the service would be characterized as a "mature" industry where the characteristics of the product and service are well known with low margins;

- frequently, there can be little differentiation between competitors;
- the business operations have limited economies of scale so that entering into larger business motifs does not necessarily provide the economics of group purchasing, etc.;
- marketing in the traditional sense does not necessarily impact the business favorably and is usually more costly than can be justified by the nature of the business;
- the business is cash-based and the owners usually make limited investments in infrastructure or new technology;
- the owners are almost always senior management with newer physicians joining the practice in an unplanned manner with little financial investment or option to financially invest until partnership.

Cognizant of all of these issues, as well as the rapid increase in technology, it may be true that tomorrow's physicians may be unrecognizable to those who trained in the early and mid 1900s, but I doubt such. Every profession undergoes change and evolution, in large part as a necessity in dealing with external and internal issues a professional lives with daily. Provided there is firm anchoring to a core set of values, the profession will continue to flourish and it is my contention that a moderate number of professionals will continue to view solo practice as an option. Granted, it is a difficult option and a different business model than the one for larger practices and larger businesses, but it is one that can be successful if structured appropriately.

Hospitals, PPMC's, and a host of other organizations as mentioned above have not shown any significant aptitude at successfully managing and growing clinical practices. That is not to say that group practices are defunct or disintegrating. Indeed, the data would suggest otherwise.²

The data from a recent Medical Economics survey shows that soloists are surprisingly strong in representation. In the ten years since their 1988 report, the ranks of solo physicians have decreased, but not by much — from 54.4% to 50% of all survey respondents. On the other hand, small (2–3 doctor groups) have declined sharply, while the percentage of doctors in larger groups has increased. The American Medical Association data shows a similar drop in the proportion of solo practitioners among self-employed physicians, from 48% in 1992 to

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45% in 1997. While the proportion of soloists has been declining, it is of note that their incomes have been growing. According to the Medical Economics survey of 1998, median gross went from \$234,630 in 1993 to \$262,860 in 1997. Their median net climbed from \$123,380 to \$140,260 over the same period — an increase of 13.7%. Soloists even managed to cut their median expenses from 45.5% to 43.8% of gross income. Also to be noted is the fact that there is a geographic difference that applies to solo practices. The percentage of solo practitioners declined sharply in New England and in the far West, but increased significantly in the Southwest and Great Lakes area. Demographically, those physicians seeking solo practice tend to be considerably older than physicians practicing in groups. The median age of the soloist in the sample of physicians in the Medical Economics survey was 53 vs. mid 40's for doctors in groups. All of these data interestingly are presented against the background of other industries where there is a major trend toward the initiation of new and smaller businesses, and individuals leaving a large corporate structure to establish their own independent business.

The message is this: there is a place for solo practice. Despite the fact that no phenomena has more profoundly transformed American main streets in the 1990s than consolidating and “franchising”, there are ample opportunities, especially in healthcare, for a more personalized approach, provided an appropriate business model is utilized and a specific niche identified. The larger the practice, the greater the need for “growth” and the need for a different model to meet the sizing requirements of the practice. This may give the small or solo practitioner an opportunity. Focusing on continuity of care and paying attention to key business issues will allow all businesses, large and small, to be successful.

Let's examine some of these issues, as they pertain to solo practice, should you desire to strike out on your own: 1) You will be doing what you like. Running your own practice is hard work, yet most solo physicians enjoy their practice and the control they have over day-to-day matters. In fact, some of the happiest practitioners that I know are in solo or small groups. 2) You have identified a market niche to serve. It is unlikely you will be able to be all things to all people as a solo practitioner and, as a consequence, you will need to identify a niche and be able to distinguish yourself in the types of services you provide. This will be especially challenging if you identify yourself as a high-powered specialist who needs the full spectrum of other specialty services to complement what you do. 3) You are not easily dissuaded or discouraged. The community or locale in which you open your practice may not be holding their breath for your arrival. On the other hand, maybe they are; smaller communities are seeking good talent, and if you are willing to tolerate the tradeoffs of working in smaller or more rural areas, one

can be extremely successful. The types of practices in these environments can be very gratifying. 4) You have a strong need for independence. Some professionals are just not suited to work in a group practice setting. This may especially be true of middle-aged physicians or physicians who grew up in a different era. There is no question that there is a necessary loss of autonomy as one moves into larger group practice motifs. 5) You have always longed to run your own business. As stated, many individuals actually enjoy running their own business. If you are one of these people, then this is something you need to contemplate. Working inside the confines of a larger organization delegates those responsibilities to others. 6) You are passionate about the services you provide. Confucius was fond of saying, “if you love what you do you will never work a day in your life.” 7) You are a take charge individual who is not afraid of working long hours. There is absolutely no question that being a small business owner in today's environment provides a significant number of challenges. Certainly one would not be able to identify a routine “40 hour” week. 8) You know how to network and use advisors. Every successful small business owner has understood that s/he cannot possibly know all things. The success of the business relies heavily on being surrounded by trusted advisors who can provide the business components that one needs to be successful and which you do not personally possess.

Having said all of this, the successful small practices, in my opinion, will pay attention to the following:

- Establishing networks with aligned practices to round out your services and being able to contract with large managed care organizations and other payors;
- Staying extremely patient focused and patient friendly;
- Using technology to your advantage;
- Finding and using a regular group of advisors who bring appropriate skills and talents to your business;
- Developing a business plan and revisiting and revising it frequently.

This does not need to be an onerous undertaking, but does call for periodic goal-setting. Again, your advisors can assist immensely in this regard. Sounds overwhelming? Well, it may be for some. Solo practice is not for everyone. In any industry, running your own business is not for the faint of heart. Starting the business is a great moment of vulnerability. For some, it represents the point of embarkation for an interesting, provocative, challenging and sometimes infuriating journey that can provide fulfilling rewards.

Only Connect!

E.M. Forster, Howard's End, 1910

REFERENCES

1. American Medical Group Association, GPJ, February, 1999
2. Medical Economics, pgs. 134–154, December, 1998