Is Solo Practice Still Viable?

Derek Preece, MBA, and Maureen Waddle, MBA

Is there a place for solo ophthalmologists in today’s healthcare marketplace?
Solo ophthalmologists are seeing their colleagues join or merge with group practices in ever-growing numbers, sometimes with good results and sometimes disastrously. Because of the shrinking numbers of lone practitioners, it is useful to ask the question, “Is solo practice still viable for an ophthalmologist?”

Several decades ago, solo ophthalmologists were in the majority. Over the past 20 years, marketplace trends have caused many eye doctors to rethink their solo status and move to limit their exposure to the external forces and pressures of our healthcare system by banding together with other ophthalmologists.

**Trends**

Here are five trends causing solo physicians to consider joining group practices.

1. **Increasing costs.** Expenses tend to rise over time for any business, but most non-physician companies can simply increase their prices at a rate sufficient to maintain their profit margins. Of course, in tough economic times the local tire store may lose business if it raises prices above those of local competitors, and in a time of lower spending that could be catastrophic. While most businesses can set their own prices, the same is not true for medical practices. Regardless of the fees a practice would like to charge, reimbursements are set by Medicare and insurance companies and are generally unaffected by increases in charged amounts. There are some exceptions to this rule, including patient-paid services such as refractions, eyeglasses, contact lenses, refractive surgery, and premium intraocular lenses, but the point is that expenses increase every year and ophthalmologists cannot simply raise their fees to cover those increased costs, so they must look for other avenues to preserve the margin between their revenues and expenses. Although two doctors cannot “live as cheaply as one,” there are some economies that develop when a physician brings on an associate to help cover costs because overhead expenses rarely double when a second doctor is added.

2. **Increasing regulation.** Two decades ago, ophthalmology practices were relatively free from government regulation, other than the necessary medical and DEA licenses required of doctors and the ever-present tax laws. Many ophthalmologists got their first taste of regulation when they built ambulatory surgery centers and found they had to comply with numerous rules before their facility could be licensed or Medicare approved. In recent years, the government has imposed several regulations on clinical practices, including HIPAA, OSHA, CLIA, HITECH, Red Flag rules, e-prescribing, PQRS, etc. Burgeoning regulations increase costs because they take precious management and staff time to maintain compliance. The management talent required to juggle all of the competing regulatory demands of today’s practices, while keeping the wheels smoothly turning in the practice itself, is expensive and easier to absorb when shared with more than one doctor.

3. **Declining reimbursements.** Medicare is the largest third-party payer for most ophthalmic practices, and each year for the past several years doctors have been threatened with severe cuts in Medicare reimbursements. As of this writing, those cuts have been postponed by Congress at the last minute each time they were to go into effect. But even without the draconian fee reductions scheduled to be imposed...
by the Sustainable Growth Rate (SGR) formula, there is continual downward pressure on fee levels, both from government payers and from health insurers. Declining reimbursements cause doctors to look for additional income streams such as optical shops, surgery centers, and audiology and cosmetic services. These services are easier to afford and make profitable when the income feeding those ancillary services comes from more than just one doctor’s patient base.

4. Increasing demand. Those over 65 years of age use far more eyecare dollars than those under 65. Since our population is aging and more baby boomers are entering the “65+” age category, the number of eye exams and surgeries that will be required to keep pace with patient needs will accelerate in the coming years. In general, this trend is good for ophthalmologists because it portends a busier clinic and surgery schedule. The challenge will be meeting the increasing demand for services when the supply of dollars allocated to pay for those services does not keep pace. In this scenario, it is a proven strategy to work to retain all revenues within the practice by forming groups with multiple subspecialists so that the practice can provide virtually all eyecare services.

5. Changing distribution. How patients access care from providers constantly changes. Three decades ago, it was rare to see an optometrist in a mega-store; today it is commonplace. Family practice and emergency medicine have seen radical changes—only a few years ago, urgent care practices were very limited and none were found in pharmacies, whereas today these “minute” clinics are ubiquitous. At one time hospitals had a monopoly on MRIs; today independent or doctor-owned imaging centers dot the landscape.

So how will changing patterns of distribution for physician services affect ophthalmologists? We are beginning to see hospitals employ more physicians and acquire medical practices, including ophthalmic clinics in some cases, so a trend toward fewer ophthalmologist-owned practices may be developing. In addition, the healthcare reform legislation passed in March 2010 contains statutory encouragement for the development of Accountable Care Organizations (ACOs), so we anticipate that more hospitals and large multispecialty clinics will add ophthalmology as a subspecialty so they can qualify as an ACO. This may be accomplished by acquisition of existing practices, by hiring ophthalmologists and optometrists, or by contracting with existing ophthalmic practices. It is likely that the ACOs that seek to acquire practices will approach solo clinics or small groups; those that decide to contract for ophthalmic care will probably look to larger ophthalmology practices.

Where Solo Practitioners Flourish

Is there a place for a solo ophthalmologist today? There certainly is at this point—we estimate that between 20% and 25% of ophthalmology practices in the U.S. today are still solo. In the future, there will undoubtedly be some single ophthalmologist operations, especially in these situations:

1. Smaller markets—where the demand for ophthalmology services doesn’t warrant more than one eye surgeon. Some of these markets may be pockets within larger metropolitan areas.

2. Areas where the ophthalmologist has training that is in high demand but low supply. For example, a retina or pediatric specialist may do well in a location where he or she is the exclusive provider of those specialty services.

3. When the ophthalmologist has personality traits that fit best with solo practice. Successful group practice generally requires significant and ongoing compromises on business issues and is not suitable for all ophthalmologists. Those doctors who decide to remain independent will need to find a geographic area or niche service that will allow them to continue to produce revenues sufficient to keep their practice solvent.

4. In situations where the solo eye doctor commands a level of patient loyalty that creates extraordinary demand for his or her services. Some doctors create instant bonds with their patients, and when they combine that ability with a staff that cares and processes that are bulletproof, they create a brand in the minds of their patients that will allow them to remain successfully independent, provided they can maintain sufficient access to patient insurance coverage.

Is there a place for solo ophthalmologists in today’s healthcare marketplace? While it is likely that the trend toward larger group practices will continue for the foreseeable future, those solo doctors who find the right situation or who can create extraordinary patient loyalty will be able to continue to practice on their own. AE