

8 threats facing physician private practices

FEB 21, 2022

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Physicians in private practice enjoy more flexibility in the way they practice medicine and have opportunities for deeper relationships with patients and their communities.

Yet a comprehensive study—“Supporting and Promoting High-Performing Physician-Owned Private Practices: Voices from the Front Lines” (PDF)—also identifies at least eight threats to that style of medical practice.

“One of the things we were trying to learn was—what was really going in the decline of private practice?” said Carol Vargo, the AMA’s director of physician practice sustainability and one of the authors of the study, which was co-published with the Oakland, California-based consulting firm Mathematica.

“For many patients, private practice is a lifeline,” Vargo said. “And the erosion of private practices undermines quality of health care for many.”

The number of physicians working in a private practice is falling, partially because of these challenges, with 49.1% of doctors either owning or working in a physician-owned practice.

It takes astute clinical judgement, effective collaboration with colleagues, and innovative problem-solving to succeed in an independent setting that is often fluid, and the?AMA offers the resources and support physicians need?to both start and sustain success in private practice.?

For the study, AMA and Mathematica researchers drew from a pool of 3,526 practices with fewer than 15 practitioners that were not owned by health systems and recruited 25 respondent practices, interviewing 25 physicians from these practices.

The panel of physicians interviewed identified these eight threats to success in private practice.

Rising administrative burdens

The difficulties of balancing clinical responsibilities with administrative work, such as coding and prior authorization, the physician respondents said. One doctor reported that the administrative burdens became so overwhelming that the physician partners decided to sell the practice to a hospital system.

With the AMA STEPS Forward™ Saving Time Playbook (PDF), you can access best practices to optimize your practice's most valuable resource—time.

Low and falling payment rates

Respondents noted declining pay rates from Medicare, Medicaid and commercial insurers over time, as well as drastic differences in how independent physicians are paid compared with physicians employed by health systems. In many cases, they said, doctors delivering the same service were paid a higher rate because of their health system affiliation.

Learn from AMA Senior Vice President of Advocacy Todd Askew why this is the year to reform Medicare pay and boost telehealth pay.

Lack of negotiating leverage

Physician respondents expressed frustration with navigating insurer contracts. They felt they were at a disadvantage compared with physician practices owned by hospitals or health systems. For example, they said, doctor-owned practices sometimes didn't have the resources to renegotiate contracts, or felt their points were not being heard by insurers.

A few attempted to negotiate contracts on their own but made little progress, so they partnered with an outside entity for support, or hired additional personnel dedicated to contracting.

The AMA Private Practice Toolkit: Payor Contracting 101?(PDF) is loaded with great tips, and is accompanied by this in-depth AMA webinar on payor contracting.

Recruitment is costly, challenging

Recruiting physicians was a universal challenge among the practices interviewed, except for a few physician practices in highly desirable geographic areas with rapid population growth. Physician respondents expressed difficulty recruiting new physicians because of the financial costs associated with recruitment, and a few turned to hiring family members to fill some open positions.

Some respondents said they tracked potential recruits for years until they joined the practice. Others said they lacked the funds to support recruitment outreach, onboarding for new physicians, or new doctor salaries. Others expressed concern about hiring physicians who did not have strong ties to the community because of the costs associated with onboarding and subsequent losses from turnover.

This AMA STEPS Forward toolkit outlines what physicians should look for in their first practice.

Hard to get good data

Several physician practice leaders commented on how difficult it is to collect and analyze population-level data or manage their high-risk patients via registries or other systems without additional resources.

Check out this step-by-step AMA guide to using patient care registries.

IT costs, lack of support

The substantial cost of purchasing and updating EHRs to help collect and analyze meaningful data was another challenge named by the physician respondents. They also commented on the lack of support they get from IT vendors after the purchase.

This collection of AMA STEPS Forward toolkits offers proven approaches on how to maximize the benefits of EHR use, strategies and tactics to successfully implement an EHR, and best practices in software selection.

Feeling professionally isolated

The physician respondents also mentioned feeling isolated in independent practice, and expressed the desire to network with other doctors around the country who lead similar high-performing physician-owned private practices.



Learn about the AMA Private Practice Physicians Section, which seeks to preserve the freedom, independence and integrity of private practice.

Bumpy transition to practice

Several physician respondents emphasized the need to mentor physicians who have recently finished their residency or fellowship training to help them build up their individual practice and contribute to the business. That is especially vital, respondents said, in surgery, where physicians just out of residency or fellowship might not be entirely ready to work independently.

Despite the threats, Vargo noted that physicians in private practice “can be very nimble” with the way they respond to challenges and the AMA has made supporting private practices a priority, with training and online assistance to help practices navigate challenges while delivering high-quality care with a personal touch.