Specialties Are Feeling the Recession's Pinch

BY ERIK GOLDMAN

DENVER — Multispecialty group practice revenue dropped last year for the first time in a decade as practices across the country felt the impact of the recession, but primary care revenue appears relatively healthy.

The Medical Group Management Association's cost survey for 2009 showed a 1.9% decline in mean total medical gross revenue among multispecialty groups, as well as a 9.9% drop in volume of medical procedures (indicated by relative value units [RVUs] provided per patient) and an 11% decrease in total patient volume. Not surprisingly, bad debt from fee-for-service charges increased by 13%.

The 2009 report, released at the MGMA's annual conference, was based on 2008 data and so represents a snapshot of the early phase of the recession.

Hardest hit by the economic downturn have been gastroenterologists, with a 5% drop in revenue. In general, the procedure-based specialties are feeling the hardest squeeze.

Current conditions could be a significantly worse, but won't likely show up until the next survey, said Dr. William F. Jessee, president and chief executive officer of MGMA, who presented the data.

Though fully one-third of practices surveyed reported a decrease in total revenue in 2008, the news wasn't all bad. Data on single-specialty groups showed some clear winners, even in these hard times. In particular, cardiologists reported a 7.9% mean increase in total revenue after operating costs. Pediatricians topped that, with a 9% increase. Family physicians reported a 2.4% mean increase.

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Still, even in the sectors that have seen increases, the percentage increase in gross revenue is only a few points higher than the rising costs of staying in practice, if that much. Many practices, especially the smaller ones, are struggling.

Dr. Jessee said that group practices are tightening their belts.

On average, practices reported reducing support staff costs by 1.5%, though there were no reported significant changes in number of staff members. That means only one thing: Many employees have taken pay cuts. In some cases, the doctors themselves are taking home less pay, he pointed out.

Thirty-five percent of practices have instituted hiring freezes, and 34% say they've cut operating budgets. Thirty-seven percent said that they have postponed capital expenditures.

Over one-third of the practices in the survey said that they saw an increase in the number of uninsured patients in 2008.

Solo and physician-owned small group practices have been especially hard hit by the recession, and increasingly they are reaching out to hospitals and the large group practices for a lifeline. MGMA surveys over the last decade show clearly that America's doctors are huddling up and selling out to larger health care entities, Dr. Jessee said.

The number of MGMA member groups owned by hospitals grew by 20% during the 5-year period from 2003 to 2008, and they now comprise 10% of the organization's total membership.

During that time, the average number of physicians in MGMA member group practices increased from 16 in 2003 to 19 in 2008. The number of doctors in the average hospital-owned group rose from 64 to 76, a 19% increase. "There's a big, big trend toward consolidation," Dr. Jessee said.

Not surprisingly, the economic downturn has also affected MGMA itself. The organization acknowledged that attendance at this year's annual meeting—roughly 2,150 paid attendees—was down 21% from its peak several years ago. ■