

# Medical Economics®



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## Exclusive Survey Earnings: Primary care tries to hang on

Family physicians and internists didn't keep up with inflation in 2003.

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In news reports last year, the word "economy" was frequently preceded by the word "sluggish." Nobody knew that better than primary care physicians. Their median total compensation in 2003 was the same as it was in 2002—\$150,000.

This glum picture emerges from the latest *Medical Economics* Continuing Survey, which sampled office-based MDs and DOs in 24 specialties. With flat earnings, primary care doctors actually lost ground financially, as they watched the cost of living jump 1.9 percent last year.

Doctors' earnings blues stemmed from a number of causes. One is flat reimbursement. Medicare increased its fees by a paltry 1.6 percent in March 2003, and commercial payers, who typically take Medicare's lead, were just as stingy, either freezing their fees or cutting them. In some markets, laid-off workers who lost their health insurance translated into fewer visits. "People just put off going to the doctor," says consultant Keith Borglum in Santa Rosa, CA.

Meanwhile, the cost of running a practice continued to climb. "Our health insurance premiums went up 5 percent in 2003," says FP Michael Fleming, member of a 10-doctor group in Shreveport, LA, and president of the American Academy of Family Physicians. "We also needed to give raises to our employees to retain them." Not surprisingly, there wasn't any raise for Fleming himself last year.

To Atlanta consultant Gary Matthews, stagnant earnings in primary care represent a hangover from the heyday of managed care in the 1990s. "Compensation was artificially high when the gatekeeper concept was in vogue," says Matthews. "Hospitals and large groups were giving income guarantees as high as \$180,000 a year to doctors straight out

of residency. When the guarantees ended, everybody realized that the doctor couldn't bring in enough to justify that pay."

Despite facing some of the same economic forces as primary care doctors, many procedure-based specialists fared well in 2003. Invasive cardiologists, for example, registered an 11-percent jump in income. The proceduralists have benefited from the waning of the gatekeeper model, since they're now more accessible to patients. And they're kept busy by graying baby-boomers anxious to preserve their hearts, knees, and various organs.

Specialists also have managed to make up for meager third-party reimbursement by generating income from ancillary services such as diagnostic imaging, outpatient surgery centers, and even specialty hospitals, says Dan Stech, director of survey operations for the Medical Group Management Association. "Primary care doctors typically don't have enough money to launch a big ancillary service."

As is always the case, the income picture also changes considerably by geography, the size of the practice, age, gender, and a number of other variables. Job-hunting physicians, for instance, might want to remember the following factoid: You'll make the most down South. Doctors there earned a median \$200,000 in 2003, \$40,000 more than their Eastern counterparts, who were at the bottom of the income pecking order.

What accounts for the difference? Supply and demand is one likely explanation. Eastern states on the whole have more physicians per capita than any other region. Massachusetts, for example, had 419 physicians per 100,000 population in 2001, about two and half times the rate in Mississippi and twice the rate in Texas. Doctors in short supply tend to be busier. Conversely, insurers have more bargaining power to drive down fees where doctors abound, adds Dan Stech.

Physician income also tends to rise where HMOs are weakest. In 2003, the South had the lowest rate of HMO enrollment—15 percent—in the country, according to Interstudy Publications, a managed care research organization in St. Paul, MN. The Midwest had the second lowest penetration rate—19 percent—and, perhaps not coincidentally, the second highest level of physician income. "Capitated physicians often don't do as well as others," notes attorney and consultant Daniel Bernick with The Health Care Group in Plymouth Meeting, PA. "And HMOs have tighter referral policies than other types of plans."

Group practice is another predictor of financial success. Soloists ranked the lowest in earnings with \$177,000, while doctors in groups of 10-24 were tops at \$250,000. Income tailed off in groups of 50 or more, perhaps reflecting a greater prevalence of lower-paid employed physicians.

Male physicians once again out-earned their female counterparts in 2003, this time to the tune of \$70,000, although the gender gap shrinks to \$30,000 in primary care. On one level, it's a matter of sheer production. Because their family duties generally exceed those of men, female physicians tend to work fewer hours at the office and consequently see fewer patients.

Likewise, women gravitate to family-friendly employee positions with more fixed schedules. "Those jobs don't offer opportunities for greater income," says Leesburg, VA, public health specialist Diane Helentjaris, president of the American Medical Women's Association. And the specialties they choose tend to be less call-intensive—dermatology as opposed to neurosurgery—and, not surprisingly, less lucrative.

There's one more explanation for why female physicians make less—gender discrimination. "From what my AMWA members tell me, it's not over yet," says Helentjaris.

Gender, demographics, the post-9/11 economy—there are stories galore behind the numbers in our income survey. How about your income story? The accompanying charts and tables will help you compare yourself to other doctors.

<b>Who's king of the compensation hill?</b>		
<b>2003 practice revenue<sup>1</sup></b>		<b>2003 total compensation<sup>2</sup></b>
\$800,000	Cardiologists (invasive)	\$400,000
\$700,000	Neurosurgeons	\$396,000
800,000	Orthopedic surgeons	\$367,600
\$600,000	Thoracic surgeons	\$325,000
\$550,000	Cardiologists (noninvasive)	\$300,000
\$580,000	Gastroenterologists	\$300,000
\$650,000	Urologists	\$300,000
\$660,000	Plastic surgeons	\$292,000
\$600,000	Dermatologists	\$266,000
550,000	Ophthalmologists	\$250,000
\$400,000	Pulmonologists	\$240,000
\$450,000	General surgeons	\$235,000
\$425,000	Nephrologists	\$230,000

\$575,000	Allergists/Allergy immunologists	\$217,000
\$500,000	Ob/gyns	\$208,000
\$520,000	Rheumatologists	\$197,000
\$305,000	Infectious disease specialists	\$160,000
\$200,000	Psychiatrists	\$160,000
\$349,000	Endocrinologists	\$150,000
\$310,000	Internists	\$150,000
\$379,100	FPs	\$149,300
\$365,000	Pediatricians	\$140,000
\$250,000	GPs	\$120,000
\$414,000	All respondents	\$180,000

<sup>1</sup>Practice revenue represents 2003 collections after all adjustments, discounts, and write-offs. <sup>2</sup>Total compensation for unincorporated physicians is earnings after tax-deductible expenses but before income taxes. For physicians in professional corporations, it's the sum of salary, bonuses, and retirement/profit-sharing contributions made on their behalf. All figures are medians. Data apply to individual office-based MDs and DOs. The source for this and all following tables and charts is the Medical Economics Continuing Survey.

## With less managed care, Southern physicians earn more



**Practice revenue      Total compensation      HMO penetration\***

<b>EAST</b>	<b>\$360,000</b>	<b>\$160,000</b>	<b>31%</b>
New England	360,000	159,000	33
Mid-East	365,000	166,000	30

<b>MIDWEST</b>	<b>\$420,000</b>	<b>\$180,000</b>	<b>19%</b>
Great Lakes region	410,000	180,000	19
Plains states	431,000	180,000	19

<b>SOUTH</b>	<b>\$460,000</b>	<b>\$200,000</b>	<b>15%</b>
South Atlantic	432,000	180,000	18
Mid-South	500,000	204,000	14
Southwest	500,000	208,700	11

<b>WEST</b>	<b>\$400,000</b>	<b>\$173,900</b>	<b>35%</b>
Rocky Mountain region	400,000	165,000	21
Far West (including Alaska and Hawaii)	400,000	175,000	40
<b>National</b>	<b>\$414,000</b>	<b>\$180,000</b>	<b>23%</b>

\*The HMO penetration rate is the percentage of residents enrolled in an HMO as of July 1, 2003. Penetration rates per region were extrapolated from HMO penetration rates for states as calculated by Interstudy Publications. Population figures used in the calculations are from the US Census Bureau.

## How revenue and compensation varied in 2003

	Practice revenue		Total compensation	
	All physicians	Primary care	All physicians	Primary care
<b>By type and size of practice</b>				
<b>Solo</b>	\$387,000	\$346,800	\$177,000	\$150,000
<b>Expense-sharing</b>	411,000	375,000	190,000	150,000
<b>2 physicians</b>	518,600	450,000	200,000	159,600
<b>3 physicians</b>	486,300	408,000	200,000	170,000
<b>4 physicians</b>	500,000	410,000	221,000	180,000
<b>5-9 physicians</b>	500,000	448,000	245,000	180,000
<b>10-24 physicians</b>	500,000	400,000	250,000	173,300
<b>25-49 physicians</b>	700,000	— <sup>1</sup>	240,000	— <sup>1</sup>
<b>50 or more physicians</b>	580,000	— <sup>1</sup>	190,000	170,000
<b>Single-specialty groups<sup>2</sup></b>	500,000	430,000	240,000	180,000
<b>Multispecialty groups<sup>2</sup></b>	500,000	392,000	200,000	170,000
<b>By years in practice</b>				
<b>1-5</b>	\$385,000	\$320,000	\$150,000	\$135,000
<b>6-10</b>	425,000	360,000	174,000	150,000
<b>11-20</b>	432,000	400,000	189,000	151,000
<b>21-30</b>	426,000	377,000	200,000	160,000
<b>31 +</b>	365,000	330,000	173,900	145,000

### By physician's age

<b>30-34</b>	\$390,000	\$360,000	\$135,000	\$135,000
<b>35-39</b>	410,000	360,000	160,000	148,000
<b>40-44</b>	400,000	360,000	180,000	145,000
<b>45-49</b>	440,000	400,000	190,000	160,000
<b>50-54</b>	445,500	380,000	200,000	160,000
<b>55-59</b>	424,000	374,900	200,000	160,000
<b>60-64</b>	393,000	325,000	171,600	140,000
<b>65-69</b>	358,000	318,800	175,000	149,200

<sup>1</sup>Insufficient data. <sup>2</sup>With at least three physicians.

### In primary care, employed docs bring home less bacon

	Total compensation	
	All physicians	Employed physicians
<b>FPs</b>	\$149,300	\$142,000
<b>GPs</b>	120,000	120,000
<b>Internists</b>	150,000	140,000
<b>Ob/gyns</b>	208,000	200,000
<b>Pediatricians</b>	140,000	120,000
<b>All primary care</b>	<b>\$150,000</b>	<b>\$140,000</b>

## Work in the city—but not too far in

Type of community	Practice revenue	Total compensation
Inner city	\$300,000	\$150,000
Urban	410,000	200,000
Suburban	430,400	180,000
Rural	431,000	175,000

## The gender gap narrows in primary care

	Total compensation		% difference*
	Male	Female	
<b>FPs</b>	\$150,000	\$130,000	15%
<b>GPs</b>	120,000	100,000	20
<b>Internists</b>	151,000	120,000	26
<b>Ob/gyns</b>	227,300	190,000	20
<b>Pediatricians</b>	160,000	120,000	33
<b>All primary care physicians</b>	<b>\$160,000</b>	<b>\$130,000</b>	<b>23%</b>
<b>All respondents</b>	<b>\$200,000</b>	<b>\$130,000</b>	<b>54%</b>

\*Difference divided by earnings for female physicians.

## Where do you stand on the earnings ladder?

Total compensation	\$600,000 or more	\$500,000- \$599,000	\$400,000- \$499,999	\$350,000- \$399,999	\$300,000- \$349,999
Allergists/Allergy immunologists	7%	2%	7%	6%	9%
Cardiologists (invasive)	18	12	20	12	12
Cardiologists (noninvasive)	5	10	14	9	14
Dermatologists	10	4	13	7	7
Endocrinologists	1	<1	3	1	4
FPs	1	<1	2	2	4
Gastroenterologists	11	4	11	8	15
GPs	1	<1	1	1	3
General surgeons	3	2	10	7	14
Infectious disease specialists	1	1	3	3	3
Internists	2	<1	2	2	4
Nephrologists	3	2	8	7	10
Neurosurgeons	23	12	16	9	14
Ob/gyns	2	4	5	6	10
Ophthalmologists	10	3	16	6	6
Orthopedic surgeons	20	7	19	10	11
Pediatricians	1	1	1	1	3
Plastic surgeons	14	3	11	7	12
Psychiatrists	0	2	0	1	8
Pulmonologists	1	2	6	8	14
Rheumatologists	2	4	5	4	8
Thoracic surgeons	12	11	14	10	17
Urologists	10	6	16	12	15
<b>All respondents</b>	<b>4%</b>	<b>2%</b>	<b>6%</b>	<b>4%</b>	<b>7%</b>
<b>All primary care</b>	<b>1%</b>	<b>1%</b>	<b>2%</b>	<b>2%</b>	<b>4%</b>

Total compensation	\$250,000- \$299,999	\$200,000- \$249,999	\$150,000- \$199,999	\$125,000- \$149,999	\$100,000- \$124,999
Allergists/Allergy immunologists	11%	18%	19%	5%	5%
Cardiologists (invasive)	7	9	5	1	3
Cardiologists (noninvasive)	13	14	9	3	6
Dermatologists	15	21	7	2	4
Endocrinologists	7	13	27	12	18

FPs	6	11	25	18	18
Gastroenterologists	14	18	12	1	2
GPs	3	10	18	10	19
General surgeons	9	14	17	6	8
Infectious disease specialists	12	12	24	16	14
Internists	5	12	26	16	16
Nephrologists	14	17	21	6	6
Neurosurgeons	11	7	4	1	3
Ob/gyns	12	20	19	6	9
Ophthalmologists	10	24	9	6	4
Orthopedic surgeons	11	10	5	4	1
Pediatricians	4	14	21	15	22
Plastic surgeons	18	11	12	2	5
Psychiatrists	2	20	32	3	12
Pulmonologists	17	15	20	8	5
Rheumatologists	9	18	20	13	9
Thoracic surgeons	7	14	5	2	2
Urologists	11	11	8	3	5
All respondents	<b>8%</b>	<b>14%</b>	<b>20%</b>	<b>11%</b>	<b>12%</b>
All primary care	<b>6%</b>	<b>13%</b>	<b>23%</b>	<b>15%</b>	<b>17%</b>
<b>Total compensation</b>					
	<b>\$80,000- \$99,999</b>	<b>\$60,000- \$79,999</b>	<b>Less than\$60,000</b>		
Allergists/Allergy immunologists	5%	3%	2%		
Cardiologists (invasive)	<1	1	<1		
Cardiologists (noninvasive)	1	2	1		
Dermatologists	4	1	3		
Endocrinologists	8	3	3		
FPs	5	4	6		
Gastroenterologists	2	0	1		
GPs	14	10	12		
General surgeons	3	3	3		
Infectious disease specialists	6	<1	5		
Internists	7	5	4		
Nephrologists	1	1	4		
Neurosurgeons	1	1	<1		
Ob/gyns	2	3	4		

Ophthalmologists	3	1	2		
Orthopedic surgeons	1	2	<1		
Pediatricians	8	5	3		
Plastic surgeons	2	1	2		
Psychiatrists	11	6	3		
Pulmonologists	1	2	1		
Rheumatologists	2	2	4		
Thoracic surgeons	2	1	2		
Urologists	1	1	1		
All respondents	<b>5%</b>	<b>4%</b>	<b>4%</b>		
All primary care	<b>6%</b>	<b>5%</b>	<b>4%</b>		
Because of rounding, percentages may not total 100.					

### Primary care earnings— in a holding pattern

	Practice revenue			Total compensation		
	2003	2002	% change	2003	2002	% change
FPs	\$379,100	\$350,000	8.3%	\$149,300	\$150,000	–0.5%
GPs	250,000	249,000	0.4	120,000	116,000	3.4
Internists	310,000	318,600	–2.7	150,000	150,000	0
Ob/gyns	500,000	500,000	0	208,000	220,000	–5.5
Pediatricians	365,000	350,000	4.3	140,000	130,000	7.7
All primary care	\$361,800	\$350,000	3.4%	\$150,000	\$150,000	0%
Inflation rate 2003						1.9%