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Why Private Practice Is Dying

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There is a dangerous trend underway in American healthcare: The death of the private practice doctor's office. This is a deliberate trend driven primarily by federal policymakers, and it does not bode well for either the cost of healthcare or the health of individual patients.

Policymakers in Washington, D.C. increasingly operate on the theory that large healthcare organizations are more data-driven, more efficient, and more effective than their small, private-practice counterparts. This mindset has guided the creation of many laws and regulations, most notably the Affordable Care Act. Shortly after the law's passage in 2010, a senior Obama administration official told doctors that it would "lead to vertical organization of providers and accelerate physician employment by hospitals and aggregation into larger physician groups."

I have watched this prediction come true from my position as a private practice doctor. Recent years have seen a stampede of my fellow physicians accepting buyout offers from hospitals and other large providers. The Physicians Foundation, which conducts surveys of America's doctors, found that 62% of physicians were independent in 2008. By 2014 that number had dropped to 35%—a precipitous decline in such a short timeframe. A 2012 survey by the Doctor Patient Medical Association found that 95% of physicians see corporate medicine supplanting the traditional private practice.

These two problems are often related. For example, the Affordable Care Act made mandatory a number of cost and health outcome reporting requirements for physicians who see Medicare patients, which is about 90% of us. Failure to comply results in slashed reimbursement rates that run as high as 6%. Yet the additional administrative burden of participating in these programs falls hardest on small private practices, which, perversely, are also subject to the stiffest penalties.

This obviously incentivizes private practice doctors to accept buyout offers from much larger entities. So does the steady growth of red tape under the law. At my practice, I have seen the costs and time requirement associated with regulatory compliance climb significantly since the law went into effect.

The Affordable Care Act also pushes doctors to merge into so-called "Accountable Care Organizations." These entities receive financial bonuses for doing the same work done in private practices. Doctors, acting rationally, want to capture these bonuses and thus abandon their traditional business models. Sure enough, since 2011, physicians have flocked to ACOs, with the creation of 744 such groups serving more than 20 million Americans as of the end of last year.

I could list more examples, but the bottom line is that the Affordable Care Act makes private practice a financially infeasible option for thousands of doctors. But patients—and policymakers—need to ask: Does the death of private practice actually cut costs and improve quality?

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The answer is too often “no.” Start with the effects on patient health and well-being.

One of the greatest benefits of private practice is that doctors and patients have much more freedom in how they interact—the essence of the doctor-patient relationship. It is a deeply-personal environment that depends on conversation and working together. In large practices, these interactions are typically guided by rote formulas and directives devised by administrators. Doctors necessarily lose some ability to tailor treatments and prescriptions to individual patients’ unique needs.

The result is often worse health outcomes. A 2014 study by the Commonwealth Fund found that, compared to hospital-owned practices, small private practices have “significantly lower” rates of patients going to the hospital with preventable health problems. The author’s studies attributed this to the more personalized nature of private practice care. Other studies have reached similar conclusions.

Then there’s cost. Hospitals and large practices have significantly more staff, infrastructure and administrative costs—factors that necessarily increase the price of their care.

This is reflected most obviously in the sky-high reimbursement rates that hospitals receive under Medicare, a proxy for healthcare costs overall. Most treatments and tests cost two or three times more; for example, a heart ultrasound at a small private practice costs $189, compared to $453 at a hospital-owned practice. Patients feel the pinch, too—their 20% co-pay in this scenario rises from $37.80 to $90.60. Patients pay again in higher premiums and deductibles, which increase to cover the higher, hospital-charged prices.

The evidence points to a simple conclusion: The decline of private practice is hiking costs, harming patients and destroying the doctor-patient relationship that is foundational to healthcare itself. As a private practice doctor, I urge my peers and my patients to ask themselves: At what point will we admit that the Affordable Care Act is doing more harm than good?